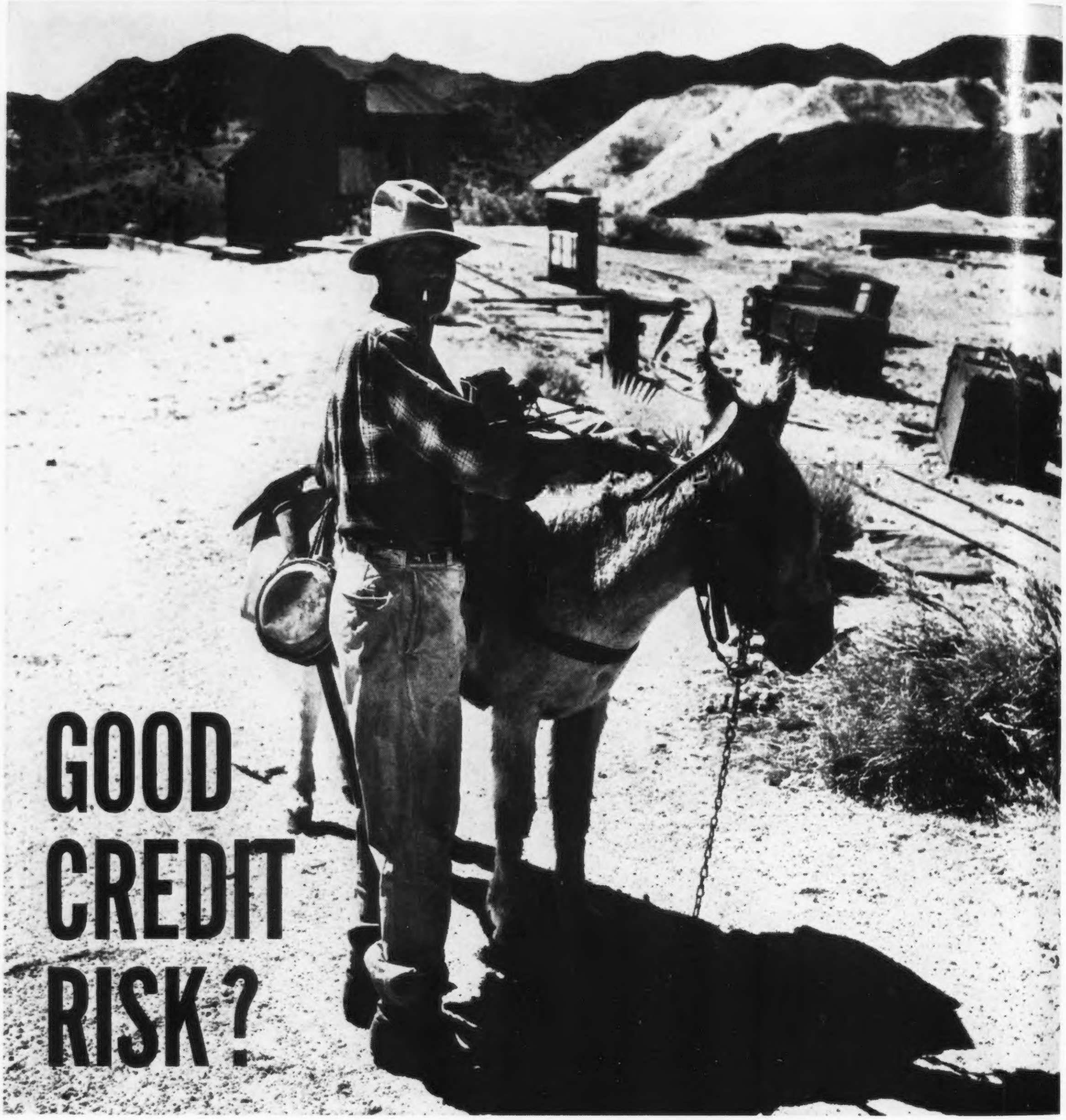
BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

MARCH 1961

From Government Finance to Economic Growth (pages 2 and 42)



It doesn't seem likely. Yet if you asked the people who really know him — you'd discover that this California prospector is a man of high reputation *and* considerable wealth. He has a substantial savings account. An assortment of "blue chip" securities. And just down the canyon—a small but prosperous quicksilver mine.

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NATIONAL TRUST AND SAVINGS ASSOCIATION

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

In This Issue

COVERMEN

This BANKING picture of Secretary of the Treasury Dillon (r.) and Under Secretary Roosa was taken in the Secretary's office for the Herbert Bratter interview on page 42

BANKING Interviews Secretary Dillon

WE offer you this month an interview with Secretary of the Treasury Dillon; the interviewer is BANKING's Herbert Bratter. They covered a wide range of subjects: Treasury financing, taxes, the payments deficit, unemployment, long-term growth without inflation, the minimum wage, the tax and loan accounts method of managing the Treasury's balances.

Opinions of Under Secretary Roosa, expressed on another occasion, are appended, so it's a big package that awaits your opening on page 42.

$180,000,000 Story

THIS country's commercial banks will spend $180,000,000 (estimated) in 1961 to advertise their services, reports G. Edwin Heming, manager of the A.B.A.'s Advertising Department. In an article on page 70 he says that although this amount is only $8,000,000 more than last year, it maintains the upward trend of the past 16 years.

Mr. Heming's review, which includes several tables, is based on returns from the Department's annual questionnaire to banks. Building deposits—particularly savings—is the top chore they have given their ads for 1961.

What *Not* to Do When Calling on Customers

IN a talk at the Illinois Bankers Association's public relations-business development conference, Donald MacArthur, treasurer of Sears, Roebuck & Company, pulled no punches. His talk was titled "When My Banker Comes to Call" and he told his audience of several "annoying, bothersome habits" of bank salesmen—the people who are selling services. Suggestions for correcting the habits were offered.

A resume of Mr. MacArthur's talk is on page 55. It's good reading.

Big Bank, Little People

SCHOOL savings, as everybody in the business knows, is a rewarding service, even though the rewards don't come in a long string of figures after the dollar sign.

Sometimes a bank pays the kids an extra dividend in the form of special treats. Bowery Savings in New York City does that: it circulates a professional puppet show among the elementary schools in Manhattan. There's no selling at these entertainments—just fun.

BANKING took a photographer to Public School 97 on the Lower East Side one chilly afternoon, and the result was the warm pictures you'll find in the special feature on pages 67 and 68: "The Littlest Customers."

The Trustmen in New York

THAT 1961 Mid-Winter Trust Conference of the American Bankers Association in New York was a big meeting, the city's worst storm in years had no appreciable effect on the attendance, and certainly none at all on the program. BANKING'S review of the papers and panels starts on page 102.

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

COMPLETE — AUTHENTIC

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Some material belongs in several different classifications but for your convenience is usually listed under one heading only

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TAXES, TRUST, AND LEGAL

NEWS

BANKING'S Investment Forum

Five Experts Advise Bankers on Investments

Bankers from all over the country submitted questions on investments to a panel of experts at the Mid-Winter Trust Conference of the A.B.A. Here BANKING presents the panel's edited answers to four of the problems that investment officers will be facing throughout 1961.

● **What is the outlook for interest rates?**

Browne: Generally, I think we might expect somewhat lower interest rates during the year—I am speaking here of long-term interest rates. Again, the moves of the Kennedy Administration are going to have a certain bearing upon the short-term rates.

Mertz: I am not so sure that the Kennedy Administration is going to be able to live on an easy money program as they have indicated. It seems to me that bond prices could very well be relatively near a peak and that by the end of the year there could come a turn-down. I think a turn in the business situation could come earlier in the year. As a matter of fact, I am a first-quarter man. It is also possible that if the Kennedy Administration does go on a spending spree that a lot of foreign money will come into the country. Mr. Roosa has indicated very strongly that he believed the foreign quarter percent business trade ceiling should be removed and as a result, if he does carry out his thoughts of putting as many bonds as possible in the long end of the maturity range, I wonder whether that can be done on a lower long-term interest rate scale.

Buek: It is significant, I think, that all of the panel felt that interest rates would turn when the economy turned regardless of what the Administration tried to do.

Panel members are Walter D. Mertz, Wilmington (Del.) Trust Company, Duncan H. Newell, Jr., Valley National Bank, Charles W. Buek, U. S. Trust Company of New York, Alan K. Browne, Bank of America, and William R. Grant, Smith, Barney & Company of New York

THE EXPERTS ANSWER:

- **What is the outlook for interest rates?**
- **Which industries are more attractive?**
- **Name equity ratios for various trusts.**
- **Should mutuals be sold because of fees?**

● **Which industries seem most attractive for investment in common stocks in 1961?**

Newell: Let me first mention the insurance industry. No matter where you get the fine machines that help your automation, whatever plant has them is going to insure them. The values go up and up although the premiums and the cycle of losses have some fluctuations. Over-all we think the insurance industry doesn't get the attention it should from trustmen. There are a number of good companies in the industry and if you want to mix a little life in with your casualty business, you have a choice of Aetna and Travelers along with many others, such as the Insurance Company of North America, Great American, and a slightly smaller company, the

(CONTINUED ON PAGE 8)

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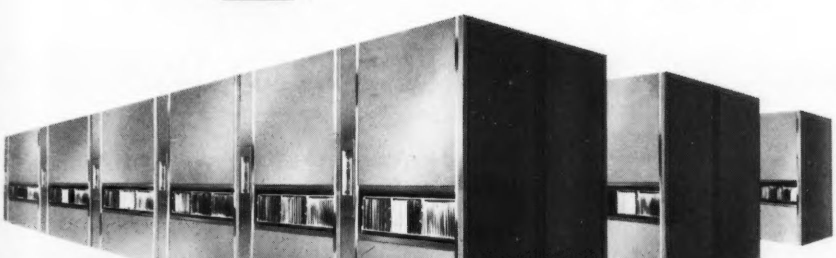

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Panel Finds Outlook Encouraging

The panel believes that the business outlook is basically encouraging. No one expects it to deteriorate into a type of depression. There was not so much agreement as to when the bottom would be reached. As a matter of fact, we have a vote among the five of us for every quarter of the year from this quarter until the first quarter of next year. However, I would point out that all those periods are within the range of investment policymaking, so you should consider the answers we will give you now against a rather constructive background.

Charles W. Buek, *Moderator*
A.B.A. Investment Panel

Investments

(CONTINUED FROM PAGE 4)

Northern of New York. Last but not least, the Fireman's Fund out on the West Coast.

Browne: I think the oil companies are probably of great interest to many of you. The earnings (of some) last year were outstanding and the efforts on the part of some of the major oil companies to really rehabilitate some of their personnel problems and become quite competitive make the oil industry one of particular interest. Certain issues which might be of concern to you are Texaco, Socony Mobil, Standard of California, and possibly Continental. In foreign countries, possibly Royal Dutch.

Mertz: Drugs and cosmetics. Drug sales have proven to be fairly immune to the business cycles. Profit margins have weakened somewhat, which, of course, is partly due to cuts in the price of antibiotics, vitamins, and other drugs. However, the returns on invested capital still stay at a very satisfactory level. The major problem facing the industry seems to be the possibility of restrictive legislation and Government controls. For relatively long-term holding Merck and Smith, Kline & Smith should be considered. American Home Products and Bristol seem especially attractive in the proprietary group. You might also take a look at Avon Products and even possibly Revlon. It is fairly obvious that these are not income stocks but over a long period of time it is felt that growth is inherent in the industry and certainly would reward the holder.

Grant: Comparing the earnings of the chemical companies with many other industries, I think their stock is a little more favorable as we go ahead in 1961 and 1962. I might also add that there are some stocks which still sell at a very fat multiple which we would still not be interested in, but I think in some of the big companies—du Pont is one and Monsanto—we think that we are willing to start, not with a great deal of conviction yet, but we think when the turn comes it will come in a hurry.

Browne: I think we ought to include utilities and possibly some of the natural gas transmission companies.

● **At the present level of the stock market what equity ratios would you consider appropriate for a common trust, a discretionary living trust, a testamentary trust?**

Mertz: For a common trust fund in many cases, at least based on the surveys we have seen, the funds are running approximately 50 to 55%. For discretionary living trusts and testamentary trusts, Charlie Buek in a *Trust Bulletin* article based on a survey indicated that for a widow 45% should be in equities; a spinster, 60%; a retired couple, 70%; a minor, 75%; and for a doctor with a very fine practice the ratio is up to 80%.

● **If you received shares of a well run mutual fund in a new trust account, would you sell them because of the double fees involved for management:**

Browne: When the trust accounts are established you find a number of mutual funds and I think there is no reason why they should be liquidated if you have a well managed and well thought out program.

GOVERNMENT BONDS

Bank Loans Decline . . . Investments Increase . . . Ample Funds Not Used . . . Federal Reserve Sells Bills . . . Demand For Bills Remains High . . . Gold Stock Declines Further . . . Liberal February Refunding . . . Market Listless . . . Outlook.

MURRAY OLYPHANT

CAUTION has continued to be the watchword in the market for Government securities. The same is true of industrial operations, as there was no sign of a pickup to increase inventories.

The number of unemployed persons rose to new highs, while the number of employed showed a decrease. A slight increase in the rate of operations of the steel industry was reported for the last week in January but the rate was still only a little more than 50% of capacity. The automobile industry was still suffering from an oversupply of both new and old cars. For the first time there seemed to be a slight lessening in the demand for consumer goods which had previously held up surprisingly well.

Such a situation demanded attention from the new Administration and was getting it. Measures to increase the buying power of the public were put into the legislative hopper. Proposals were made to curtail the drain on the gold stock. Various task forces were at work surveying all the phases of the economy. But it will take time to start the curative measures and to determine their effectiveness.

Meanwhile the general attitude of the banking fraternity continued to give evidence of extreme caution, as witness the record of the reporting member banks from December 28 to January 25.

Bank Loans Decline Investments Increase

For this period, the decline in loans was over $2.5-billion. All types of loans—except real estate—participated in the shrinkage. Thus the increase of about $1.7-billion in December was wiped out and exceeded by about $800,000,000.

As could hardly fail to be the case, the decline in loans was accompanied by an increase in investments but only to the extent of about $634,000,000. Moreover, as an indication of how cautious these banks were, the increase in investments was entirely in the maturities of one year or less. The amount of such maturities rose from about $8-billion on December 28 to over $8.6-billion on January 25 and the better part of the increase was in Treasury bills.

Ample Funds Not Used

This extreme caution was further evident in the failure of these banks to avail themselves of the additional buying power represented by the maintenance throughout the period of an ample supply of excess reserves which averaged over $600,000,000 for the member banks of the Federal Reserve System. The insistence on confining such purchases of investments as were made to the very short maturity area and the failure to utilize the available buying power, gives a very strong clue to the composite opinion of the banking fraternity.

However, in the week following January 25 a rather unusual transaction "reflecting a substantial sale of consumer receivables to commercial banks by a large retail outlet" increased other loans by $991,000,000 and caused Federal funds only to be available at 3%.

Fed Sells Bills

Since over $1-billion of currency in circulation flowed back to the banks from January 4 to February 1 the Open Market Committee was in a position to lower the amount of Treasury bills held in the portfolio of the Federal Reserve banks. It did so to the extent of about $520,000,000.

(CONTINUED ON PAGE 12)

Outlook

THE double objective of the Administration—to raise short-term interest rates and lower the long-term—may be highly desirable, but how can it be done in any kind of a free market?

The liberal terms offered in the refunding of the February 15 maturities were certainly in line with the first objective. Increasing the amount of Treasury bills outstanding had something of the same character. Increase the supply and rates might rise.

But how lower the long-term rate schedule when prospective buyers of such issues seem to have taken to the woods?

Furthermore what would be the effect of a change for the better in business volume? This would mean an increased demand for credit—when it comes—which could hardly fail to stiffen its cost.

The current attitude toward investments has been one of extreme caution. No change is expected in the immediate future.

Any marked changes in the current prices of Government securities seem unlikely for some time.

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NAME OF BANK	Number of POST-TRONIC* machines used	Number of Conventional machines replaced
American Bank & Trust Company, Houston	2	5
Bank of the Southwest National Association, Houston	8	16
Bank of Texas, Houston	2 2 additional	4
Citizens State Bank, Houston	6	8
Citizens National Bank & Trust Company, Baytown	4	10
Humble State Bank, Humble	1	2
Houston Bank & Trust Company, Houston	4	6
The Industrial State Bank of Houston	3	6
Lockwood National Bank of Houston	1	**
Merchants State Bank, Houston	1	*
Montrose National Bank of Houston	2	4
First Pasadena State Bank, Pasadena	6	12
River Oaks State Bank, Houston	3	6

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(CONTINUED FROM PAGE 10)

For most of the month weather conditions resulted in maintaining the float at a high level but in the last week it fell about $500,000,000. For the period the total of Reserve credit declined a little over $1.6-billion.

As the program of the Administration has been stated to be to stiffen the interest rate on short-term securities and, if possible, to lower the rate of the long-term issues, the Open Market Committee has to try to prevent undue ease in money conditions.

The record of the weekly sales of Treasury Bills is shown below.

Demand Remains High

During the month the Treasury increased the amount of bills outstanding by $500,000,000, selling an extra $100,000,000 in the third week and $200,000,000 extra in the fourth and fifth week. Nevertheless there was only a slight increase in the cost to the Treasury and the spread in yield between the third-month and sixth-month maturities remained very narrow.

It seems very probable that should the Treasury need more cash—as now seems likely—the amount of bills outstanding will be further increased.

Gold Stock Declines

For the period from January 4 to February 1 the gold stock declined $317,000,000 at which point the Federal Reserve ration of gold certificates to deposit and Federal Reserve note liabilities combined, was 38% against the statutory requirement of 25%.

The Administration, fully aware of the dangers inherent in a further decline, is taking various steps to try and curb the outflow.

Moreover, West Germany has cut its discount rate from 4% to 3½% and similar action by other central banks is hoped for.

Not only has the Administration stated that a higher rate of interest on short-term obligations is necessary to narrow the gap between such rates here and abroad but seemed to be moving in that direction by making the terms of the refunding of the $6.9-billion of the February 15 maturity unexpectedly liberal.

Liberal Refunding

Holders of the $6,935,000 4⅞% certificates which matured on February 15, were notified on February 2 that they would not be given the right to exchange their certificates for the new offering. They could use their maturing certificates in payment for the new offering but only to the extent that they were allotted the new issue.

A few days later the new offering was announced as an 18-month 3¼% note which was decidedly liberal, as roughly comparable maturities were selling in the market in the 2.90% to 2.96% range. Moreover as about half of the maturing 4⅞% certificates were owned by the Federal Reserve banks and Treasury investment accounts it was immediately assumed that allotments of the new 3¼% notes might be sharply curtailed and that the Treasury might exercise its right of keying the size of the allotments to fit various classifications of subscribers.

That the Treasury was faced with a difficult problem was obvious when the announcement of the allotments was not made until February 9 although it had been expected several days earlier.

Total subscriptions were $18,794,000. Total allotments were $7,343,000, an over allotment of about $400,000,000 new cash as a start to provide for an expected budget deficit of about $1-billion.

$4,400,000 3¼% notes were allotted in full to the Federal Reserve banks,

Treasury Bills

Offered on	3 months Amount	3 months Average cost	6 months Amount	6 months Average cost	Yield spread
Jan. 4	$1,000,000	2.385%	$500,000,000	2.602%	.22%
Jan. 11	$1.1-billion	2.358%	$400,000,000	2.530%	.17%
Jan. 18	$1.1-billion	2.230%	$500,000,000	2.422%	.19%
Jan. 25	$1.1-billion	2.299%	$500,000,000	2.497%	.20%
Feb. 1	$1.1-billion	2.374%	$500,000,000	2.566%	.19%
Average for period		2.33%		2.52%	
Average for previous period		2.25%		2.49%	

Treasury investment accounts, a broad category of investment funds. All others, and subscribers to $10,000 or less, including the banks and dealers in Government securities were allotted 20% of their subscriptions.

Market Listless

Starting early in January with some decline from the higher prices registered in December, the market for Government securities lost more ground by early February. Nearly all of the issues, of whatever maturity, were quoted somewhat lower in early February than at the end of December.

Fed's "Bills Only" Policy Ends

ED. NOTE.—As BANKING went to press and after Mr. Olyphant wrote the preceding article, the Federal Reserve System made the announcement that its official policy from now on is to purchase "in the open market United States Government notes and bonds of varying maturities, some of which will exceed five years."

As soon as the announcement was made long-term bond prices began moving up, although the Fed bought nothing over an 8-year maturity.

In theory, this step should lower borrowing costs to business, which, in turn, might step up its spending programs.

"This one machine records your transaction, posts the entry to your account, adjusts the balance, prepares your statement, computes any service charge, and automatically locks the front door if you overdraw your account!"

THE INVESTMENT MARKETS

H. EUGENE DICKHUTH

WHILE there are still doubts regarding the business and industrial outlook in some lines, stock prices have shown more firmness this year than they did in 1960.

With the exception of electrical and radio broadcasting shares, most leading stock groups showed plus signs in prices during early 1961. The biggest gainers included rail equipments and railroads. Government financial aid undoubtedly is a factor in these investment considerations. Also, railroad securities traditionally have been regarded as one of the backbones of investment portfolios as well as an important element in private investments.

Other Groups

A few other groups may also be singled out. Securities of cement companies went up substantially. The background here is quite simple. With the previous decline in construction activity, an upturn is expected to be inevitable, particularly in view of the increasing population and the intensified highway and road building program.

Sugar securities benefited from the situation in Cuba where U.S. property has been widely expropriated. It is likely to create a greater demand for domestic producers, both cane and beet.

Farm implements were also among the favorites. There have been drastic changes in the agricultural areas of this country. Despite higher production which has led to enormous surpluses, today fewer people are engaged in farm output and all that it involves.

The trend towards mechanization continues, which is the basis for the optimism regarding the farm implement industry.

The air transportation industry also came in for another boost. This applied to both the air lines and aircraft manufacturing. Regardless of the financial condition of individual companies, the fact remains that an increasing number of people have taken to air, rather than surface transportation. There is also the missile factor. Many aircraft manufacturing companies are now engaged in this field.

Tobacco Securities Increase

Despite lung cancer scares, tobaccos continued their gains and prices of their securities have gone up since the turn of the year. Radio and television shares also had a mild boom—on the theory, perhaps, that color TV will become as essential a household appliance as the pot-belly stove was 50 years ago. Communications, generally, as apart from radio and TV, also showed gains and so did many other groups.

These groups include drugs, liquors and foods, as well as building and automation, naturally. Periodic wage increases and raising of hourly wage rates virtually force management into automation in the face of a decline of corporate profits after taxes. Thus, automation securities, depending on the status of a specific company, are a good buy in the long run.

Municipals Sluggish

As stocks rose in price, investor demand for state and municipal obligations became sluggish. This is natural and traditional. The bond market, however, did get a psychological shot in the arm, not from the recent refunding operation of the Treasury, but from the balance of payment question in the U.S. This was prompted by President Kennedy's statement to Congress that his Administration would try to prevent a further drop in short-term interest rates. The Administration's aim to help equalize the credit rates among the major central banks of the Western world were also applauded. The previous disequilibrium led to a shift of funds from country to country where investors sought greener pastures in terms of return.

As interpreted by the bond market, all these developments, which affect our international balance of payment position, would in the end make available more capital for domestic investment.

All this could not help but benefit the bond markets and it did. There was an expectation of an additional flow of credit, domestically. Trading was brisk in the tax-exempt sector and many bond inventories on dealers' shelves were sold without much difficulty.

Some healthy institutional buying was reported and many listings showed a healthy gain.

The over-all outlook for the municipal and state bonds' market seems to be good. One reason for it is that there has been a lack of corporate offerings. There also continues to be a steady pressure for re-investment of funds which are accumulating for statutory reasons. If higher-yielding corporates are not available, these moneys go into municipals which have lower yields but have the advantage of being tax-exempt.

The New Frontier

The commodity markets are a bit disturbed about President Kennedy's New Frontier program. It helped prices, to be certain, but to the experts it does not smack of economic and fiscal soundness.

The trade also questions the legality of the President's order to the Department of Agriculture to increase the amount and kind of food to be given to the needy through open market buying.

Perhaps, the most hopeful aspect in one of Mr. Kennedy's statements, so far as business and finance is concerned, is the promise of special tax incentives for higher capital investments.

It would certainly help the capital and investment markets immeasurably, if and when it would materialize. In this respect, the New Frontier is on the right track.

heard along main

Compiled by Marguerite

For space reasons, BANKING *regrets that it must arbitrarily limit, in any one issue, the number of items used covering important personnel changes in the banks of the country. Many must be held over.*

About People

HUGH D. T. WILLIAMSON, general manager, Australia and New Zealand Bank, Ltd., retires. He joined the bank's predecessor in 1918.

CICERO H. PETERS, vice-president, retires from Illinois National Bank of Springfield.

A. R. FLOREEN, executive committee chairman, City National Bank and Trust Company, Chicago, Ill., retires after 52 years in Chicago area banking. Other retirements here are ANDREW E. WIGELAND, vice-president; J. S. CROSSLEY, trust officer; M. A. OLSON, assistant vice-president.

HARRY W. ANDERSON becomes vice-president and trust officer, The Merchants National Bank of Boston, Mass. HARRY H. BALDWIN, III, GEORGE HIGGINSON, WILLIAM C. PAULSON, all become vice-presidents.

KEARNEY WORNALL, vice-chairman, City National Bank and Trust Company, Kansas City, Mo., retires.

CLYDE C. SHARPE, from vice-president and cashier to senior vice-president, The Exchange National Bank of Tampa, Fla.; TUCKER W. HOOD, R. O. MCDONALD, JR., become vice-presidents; HAYDN W. WARKENTINE becomes cashier.

ALVAN B. FEHN is elected president, National Union Bank of Dover, N.J.; FRANK A. EPPS, H. A. R. DUTTON, OSCAR W. BENSON, all elected vice-presidents.

HARRY F. BEALE, ROYAL W. FOX, both become vice-presidents at Lincoln National Bank and Trust Company, Syracuse, N.Y.

DONALD F. PLYMPTON becomes vice-president, Oregon Mutual Savings Bank, Portland.

CARL K. WITHERS, former president of the A.B.A. National Bank Division, and former New Jersey Commissioner of Banking and Insurance, died at his home in East Orange, N.J., in early February. MR. WITHERS, 65, who was president of the Hospital Service Plan of New Jersey at the time of his death, had previously served as president of Lincoln National Bank of New Jersey, Newark, and First Mechanics National Bank, Trenton, and was a New Jersey Bankers Association president.

ELMER N. SCHLEGEL, from executive vice-president, chief administrative officer and general manager, Kutztown (Pa.) National Bank, to its president, succeeding CLINTON L. A. SCHMOYER, who becomes the bank's first board chairman.

GLENN A. BIGGS, senior trust officer, becomes vice-president and trust officer, Fifth Third Union Trust Company, Cincinnati, Ohio; JOHN E. GOYERT, HARRY W. NIEHAUS, become senior trust officers; J. EDWIN BOLMER, ELY L. HILL, both become assistant vice-presidents.

Santa Rosa State Bank, Milton, Fla., announces: Congressman ROBERT L. F. SIKES, (Fla., D), becomes board chairman; REX E. BOND becomes president; CORRINNE MACWHINNIE becomes assistant cashier.

CHARLES Z. MEYER, senior vice-president and comptroller, CLARENCE B. JENNETT, vice-president, and JOHN J. FEELEY, assistant vice-president, all retire from First National Bank of Chicago, Ill.

NABW Names "Women of the Month"

THREE outstanding bankers were named "Woman of the Month" by the National Association of Bank Women for the three months of December, 1960, and January and February, 1961.

HILDA KOLLMANN, director, vice-president, cashier and trust officer of State Bank of Blue Island, Ill., was chosen for February.

January saw the naming of Wilmington, Del., banker V. ERNESTINE MOORE, Ph.D., personnel director of Wilmington Trust Company. DR. MOORE has been a teacher and a civic administrator.

One of the vice-presidents at First Wisconsin Trust Company, Milwaukee, made it in December. CATHERINE CLEARY, also secretary to the board at that bank, was named as that month's NABW "Woman of the Month." MISS CLEARY is a former assistant United States Treasurer.

Hilda Kollmann

V. Ernestine Moore

Catherine Cleary

street

Beck of BANKING's staff

R. COSBY MOORE, from executive vice-president to president, National Bank of Commerce, Norfolk, Va., after 36 years with the bank.

JOHN P. GLORIEUX, ROBERT V. LINDSAY, F. FRITH PICKSLAY, JR., RICHARD W. MEYER, FERDINAND H. BREWER, THEODORE H. MENGEL, JR., all become vice-presidents, Morgan Guaranty Trust Company of New York.

GORDON E. MCNARY, from vice-president to president, San Diego (Calif.) Trust and Savings Bank.

WILLARD C. POOLE, vice-president, Fairfield County Trust Company, Stamford, Conn., retires.

CHARLES H. TAYLOR, from assistant vice-president to vice-president, Federal Reserve Bank of Atlanta, Ga.

LEWIS G. HARRIMAN, formerly president of M & G Discount Corporation, wholly-owned subsidiary of Manufacturers and Traders Trust Company, Buffalo, N.Y., becomes board chairman of the bank. DELMER F. HUBBELL, JR., director and former vice-president in charge of the corporation, becomes the bank's president. FRANK J. BACHER becomes vice-president.

LEON F. BENTLEY becomes vice-president, The Guaranty Bank, Phoenix, Ariz.

R. P. DOHERTY, board chairman, also becomes president, National Bank of Commerce, Houston, Tex., succeeding MARVIN K. COLLIE, who resigned.

B. FINLEY VINSON becomes executive vice-president, First National Bank in Little Rock, Ark.; H. W. CRUCE, cashier, also becomes vice-president.

Richard A. Brennan — Col. John K. Daly

A Purple Heart—42 Years Later

WHILE an Army honor guard snapped to attention, the medal of the Military Order of the Purple Heart was awarded to a banker veteran during colorful ceremonies on the Fort Hamilton, Brooklyn, parade grounds.

For RICHARD A. BRENNAN, board chairman of Brevoort Savings Bank of Brooklyn, it was an afternoon he had awaited for 42 years—ever since he was wounded during World War I.

Though Army records showed MR. BRENNAN'S eligibility to receive the medal, the award was sidetracked over the years until now. The fort's commanding officer, Col. John K. Daly, pinned the award on the banker's coat and read a citation from the Secretary of the Army.

CARL E. HARTNACK becomes senior vice-president, San Diego division, and executive committee member, Security First National Bank, San Diego, Calif.

JAMES R. BURROUGHS, from senior vice-president to president, Citizens Commercial and Savings Bank, Flint, Mich., succeeding ERNEST A. POTTER, who resigned the post.

GENERAL GEORGE OLMSTED, president, Financial General Corporation, becomes board chairman, Arlington (Va.) Trust Company.

First National Bank of Baltimore, Md.: C. WILLIAM HUMBERT, from assistant vice-president to cashier; CHARLES F. REESE relinquishes title of cashier but remains senior vice-president.

JOSEPH A. BOGNANNI, EARL H. LENTZ, NANCY D. MITCHELL, all become senior trust officers, Equitable Trust Company, Baltimore, Md.

WILLIAM J. GARRISON, from assistant vice-president to vice-president, Denver (Colo.) U.S. National Bank.

GEORGE ALLISON, JR., THOMAS W. SMITH, III, both vice-presidents, become senior vice-presidents at National Bank & Trust Company of Fairfield County, Conn. MARCUS J. HAYDEN, WARNER A. FINNEY, both become vice-presidents.

H. P. MADSON, president, Bank of Pico-Rivera, Calif., has been elected president of the Independent Bankers Association of Southern California. AUBREY E. AUSTIN, JR., president of Santa Monica Bank, was named vice-president. ROBERT W. MCGOVNEY, president of Capital National Bank, Compton, and past president of the association, was reelected secretary-treasurer.

Some promotions at North Carolina National Bank, announced from Charlotte: D. M. NEILL, J. D. WHITE, become vice-presidents and trust officers.

WILLIAM A. SOLIEN joins First

National Bank, Palm Beach, Fla., as a vice-president. He has been connected with Florida and Wisconsin banks.

GRIFFIN B. DEAL becomes vice-president, National Bank of Commerce, Norfolk, Va.; J. J. CRONIN becomes corporate trust officer.

JOHN G. FITZGERALD, treasurer and secretary, Woonsocket (R. I.) Institution for Savings, also becomes a vice-president.

GEORGE H. CLAY becomes president, succeeding H. G. LEEDY, who retires after heading the Kansas City Fed for nearly 20 years.

R. F. "RUSS" GOOD becomes vice-president at Highland Village State Bank, Houston, Tex.

Three new vice-presidents at Seattle-First National Bank, Seattle, Wash.: CHARLES M. BERRY, and EDWARD WEST, JR., and W. TODD ELIAS, who also become trust officers.

CORNELIUS A. VANDER SCHANS, treasurer of Glen Ridge (N. J.) Trust Company, retires after 43 years of service.

Tom K. Smith

TOM K. SMITH becomes honorary board chairman, The Boatmen's National Bank of St. Louis, Mo.; HARRY F. HARRINGTON becomes board chairman and continues as president and chief executive officer; ROYAL D. KERCHEVAL, board vice-chairman, retires.

GEORGE H. DOBELMAN, vice-president in charge of instalment loans, Hibernia National Bank, New Orleans, La., retires after 50 years with the bank.

JOHN M. FINNEGAN joins Beverly Bank, Chicago, Ill., as assistant vice-president and trust officer.

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PAUL E. NEWSCHAEFFER, senior vice-president and director, Union Bank, Los Angeles, Calif., retires after 44 years with the bank.

E. CARTER SHANNON, WILLIAM C. ESTEP, both become vice-presidents at National Bank of Commerce, Seattle, Wash.

JOSEPH BRESLIN, JULIUS M. MARTIN, both become vice-presidents at Bank of America, N.T. & S.A., Los Angeles, Calif.

EDWARD N. NUDDLEMAN becomes vice-president, First National Bank of Mason City, Iowa.

John A. Luetkmeyer

JOHN A. LUETKMEYER, from executive vice-president to president, Equitable Trust Company, Baltimore, Md.; ROBERT G. MERRICK becomes executive committee chairman.

JAMES M. NICELY, senior vice-president, First National City Bank of New York, becomes vice-president and treasurer of the Ford Foundation, New York.

Some recent promotions at City Trust Company, Bridgeport, Conn., were: NELSON L. NORTH, JR., from vice-president and trust officer to senior vice-president, banking division; NORMAN SCHAFF, JR., vice-president to senior vice-president; ELLIOT K. REICH, assistant vice-president to vice-president and consumer credit department manager; HAROLD W. CLAUSON, trust officer, also becomes assistant vice-president, as do PAUL J. WOOD and NELSON R. COLLING, JR.

M. N. WILSON, president, United States National Bank of San Diego, Calif., announces semi-retirement and becomes special consultant to bank.

HAROLD B. BRAY, senior vice-president, Harris Trust and Savings Bank, Chicago, becomes honorary aide to Governor of Kentucky, with rank of colonel.

ADDISON K. BARRY, vice-president, National Newark (N. J.) and Essex Banking Company, retires after 27 years of service.

EDWARD W. LANE, JR., becomes president, Atlantic National Bank of Jacksonville, Fla., succeeding J. W.

"Honorary Chief," Chief, and the Commissioner's Namesake

WHEN COMMISSIONER GLENN L. EMMONS of the U.S. Bureau of Indian Affairs learned that Chief and Mrs. Bill Osceola of Florida's Seminole Indians had named their adopted son after him, he opened a savings account in the baby's name at The Dania (Fla.) Bank.

President of Dania Bank, J. VINCENT O'NEILL, who presented the passbook to Chief Osceola and little Glenn Emmons Osceola in behalf of the commissioner, has been a friend and adviser to the Seminoles for years. In a sense, the picture (*right*) shows not two Indians, but three. MR. O'NEILL is Honorary Chief of the Tribe, under the Seminole name of Tus-Da-Nugie.

COMMISSIONER EMMONS is chairman and president of First State Bank of Gallup, N.M., and among his many offices has served as president of the New Mexico Bankers Association and as treasurer of the American Bankers Association, as well as on A.B.A. committees.

J. Vincent O'Neill, Chief Billy Osceola, and little Glenn Emmons Osceola

SHANDS, who retires. WALTER T. LANE, vice-president and director of advertising and public relations, retires.

DONALD J. BUCHANAN becomes second vice-president, Manufacturers National Bank of Detroit, Mich.

IRA HIRSCHMANN becomes vice-president, Sterling National Bank and Trust Company, New York, N. Y.

CARL GALLOWAY, from executive vice-president to president, MacGregor Park National Bank, Houston, Tex., succeeding C. B. CARTER, who joins National Bank of Commerce as a vice-president.

DAVID J. ROBARTS, chairman, National Provincial Bank, Ltd., London, visited with HOWARD L. CLARK, American Express Company president, at the firm's New York office. MR. ROBARTS, visiting this country to confer with bankers and investment brokers, addressed the midwinter dinner of the New York State Bankers Association during his stay.

KENNETH B. WILSON, executive vice-president and director, Citizens National Bank, Los Angeles, Calif., retires after 39 years of service to the bank.

WALTER D. DUNMAN, from assistant vice-president to vice-president, Houston (Tex.) Bank and Trust Company; HAROLD L. PENN becomes trust officer.

John Crocker

JOHN CROCKER, chairman of the A.B.A. Agricultural Committee and Executive Council member, becomes board chairman of Citizens National Bank, Decatur, Ill., after having been bank president since 1950. Upon his advancement to this newly-created office, he is succeeded to the presidency by WILLIAM BARNES III, who has been the bank's executive vice-president.

William Barnes III

JACK H. BEASORE, from vice-president and treasurer to executive vice-president, Richland Trust Company, Mansfield, Ohio.

"Masterpiece" Tapestry Hung at VNB Branch

THE art-conscious city of Phoenix, Ariz., recently saw the first public display in this country of a king-sized tapestry described as a "masterpiece" and appraised at $100,000.

On display in the Phoenix home office lobby of VALLEY NATIONAL BANK, the 10'x6' wall-hanging, entitled "My Country, 'Tis of Thee," depicts all U.S. presidents, a historical event for each, the Seal of the President, and the Great Seal of the United States.

Its creator, Canadian Elizabeth LeFort, has work now hanging in the White House (portrait of former President Eisenhower), Buckingham Palace (Queen Elizabeth II), and the Vatican (Pope Pius XII).

Elizabeth LeFort, James Dismuke, Valley National vice-president and cashier, and the tapestry of 2,000,000 hand-hooked stitches

Security Bank & Trust Co. Case #1

THE time was 3 PM, January 10, 1961. I was working the day watch in a teller's cage.

I locked up as the front door opened and in walked several well-dressed men. . . . These high echelon men were after the facts. Six officers of the SECURITY BANK were on the fire for promotions and re-elections.

The time was 4:30 PM . . . Case closed, congratulations in order: J. L. BURFORD: president re-elected; no promotion there.

D. F. SEALS: vice-president; elevated to senior vice-president; no extra pay there.

C. J. CARSELOWEY: cashier; elevated to vice-president; he takes home a few extra potatoes.

T. J. ARCHER: assistant cashier; elevated to cashier. That boy carries a little more weight home with him.

GENE E. LONGAN: assistant cashier; re-elected. He has a little more time to do.

JACK B. ROBINSON: assistant cashier; re-elected. He has time to do also.

Me? Well, I was re-elected to assistant cashier. I am like everyone else here. I thought I should have been elected president.

You "city slickers" come and see us.

—RAY H. ENYART, *assistant cashier Security Bank and Trust Company, Miami, Okla.*

GEORGE E. PERKINS, trust officer, First National Bank of Somerset County, Bound Brook, N.J., becomes vice-president. J. STANLEY STIRES becomes assistant vice-president.

CHARLES L. RITCHIE, JR., from manager, Brown Brothers Harriman and Company, to vice-president, Western Saving Fund Society of Philadelphia, Pa.

Worcester (Mass.) County National Bank announces promotions: ARTHUR R. HEDLUND from assistant vice-president to vice-president; STANLEY A. PITCHER from assistant cashier to assistant vice-president.

GEORGE T. BAINE, executive committee chairman, First-Manufacturers National Bank of Lewiston and Auburn, Maine, resigns.

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Stein

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A NONPROFIT organization operating a television station serving the schools and public of seven Florida counties has elected a Tampa banker as its president. BRINTNALL H. MERCHANT, vice-president of The Exchange National Bank of Tampa, Fla., has been named to head Florida West Coast Television, Inc., which operates WEDU-TV. MR. MERCHANT assisted in the original organization and planning of the station over the past four years.

JAMES H. PENICK, SR., from president to board chairman and chief executive officer, Worthen Bank and Trust Company, Little Rock, Ark.; EDWARD M. PENICK succeeds his father as president. J. GARDNER LILE, from senior vice-president to executive vice-president; BOOKER WORTHEN becomes vice-president and secretary.

RUSSELL C. EIKENBERRY, ROBERT R. EASON, GEORGE E. O'BRIEN, all become vice-presidents at Citizens National Bank, Los Angeles, Calif.

DONALD W. FITTON, from president to board chairman, First National Bank and Trust Company of Hamilton, Ohio. ARTHUR D. FILLE becomes executive vice-president and assistant trust officer; VADEN FITTON becomes vice-president and assistant trust officer.

Albert Dee Simpson

ALBERT DEE SIMPSON, honorary chairman of The National Bank of Commerce, Houston, Tex., who had been president of the bank for 14 years previous to his vice-chairmanship and subsequent semi-retirement, died at age 79 at his home in Houston in late December. MR. SIMPSON, who was a member of the Executive Council of The American Bankers Association for three 3-year terms, had been named "Man of the South" in 1957 and selected for the "South's Hall of Fame for the Living," among his many other honors.

EDWARD F. MCGINLEY, JR., from vice-president, Fidelity-Philadelphia Trust Company, to president, Beneficial Mutual Savings Bank, Philadelphia, Pa., succeeding the late FRANCIS P. BURNS.

Mont E. McMillen

MONT E. MCMILLEN, president and chief executive officer, FIRST WESTERN BANK and TRUST COMPANY, becomes board chairman; title of president passes to DARWIN A. HOLWAY, now executive vice-president. JOHN BOYCE-SMITH, KIRK JEFFREY both become senior vice-presidents. FIRST WESTERN BANK AND TRUST emerges from the recent merger of CALIFORNIA BANK and FIRST WESTERN BANK, and will have assets in excess of $500,000,000.

Darwin A. Holway

State-Planters Bank of Commerce and Trusts, Richmond, Va., announces promotions: CARLISLE R. DAVIS, EDWARD F. GEE, L. BURWELL GUNN, all become executive vice-presidents; JOHN C. DAVIS, MONCURE P. PATTESON, JAMES W. RAWLES, all become senior vice-presidents.

DEXTER P. RUMSEY, from board chairman, Erie County Savings Bank, Buffalo, N.Y., to chairman of executive committee of the board of trustees.

ROBERT BROOKINGS SMITH becomes vice-chairman, Mercantile Trust Company, St. Louis, Mo.

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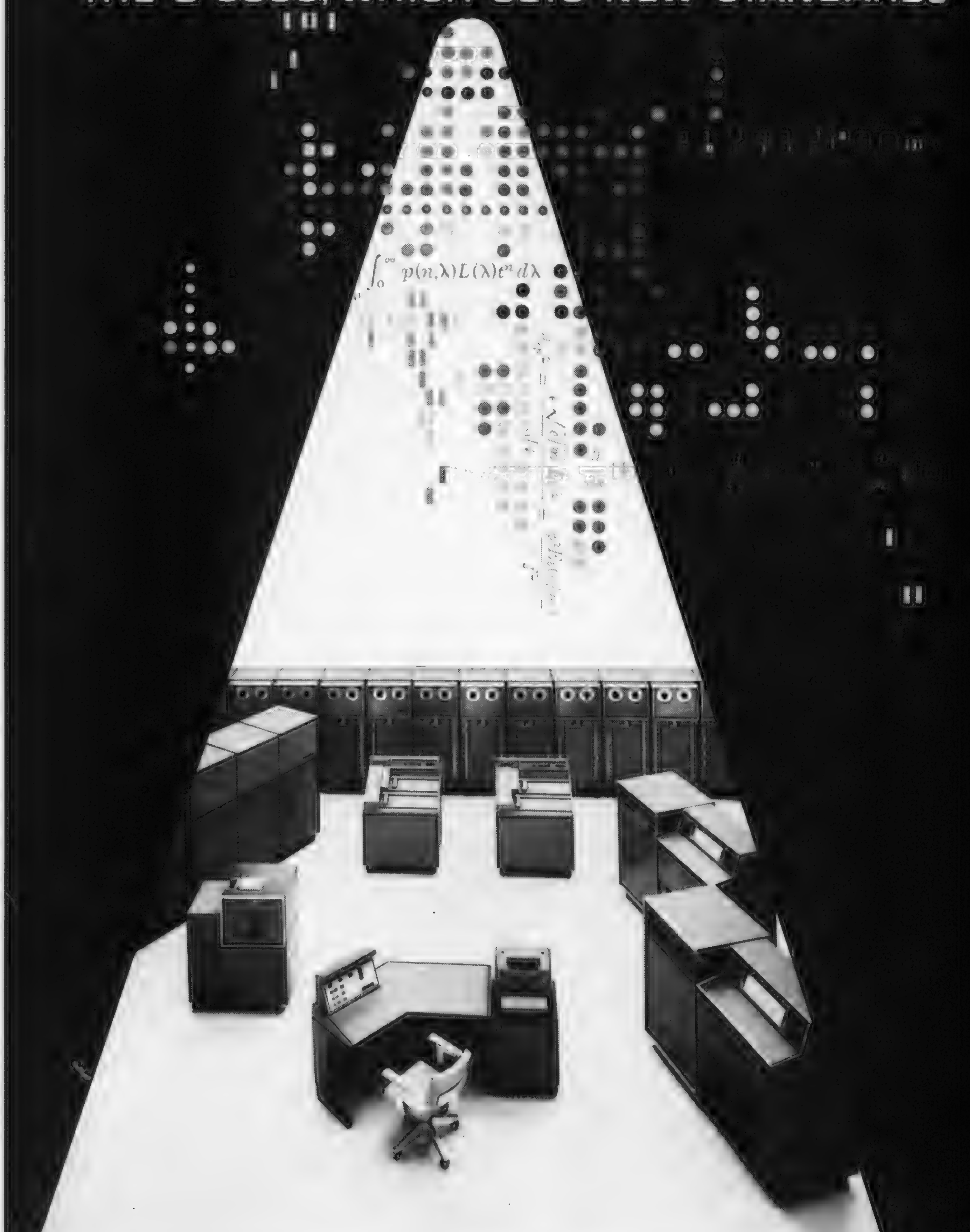
BURROUGHS CORPORATION ANNOUNCES

THE B 5000, WHICH SETS NEW STANDARDS



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THOMAS J. BOMAR becomes board chairman, Pan American Bank of Miami, Fla., and becomes president of the bank, succeeding JOSEPH S. MOSS, who resigns. JAMES SOTTILE, SR., goes from chairman to vice-chairman; P. J. SERRALLES continues as vice-chairman.

CHESTER A. BARRETT, from vice-president to executive vice-president, Second National Bank of New Haven, Conn. JOHN C. ROBINSON, H. WICK CHAMBERS, JR., both become senior vice-presidents.

JOHN K. BURRY, from assistant vice-president to vice-president, Society National Bank, Cleveland, Ohio.

H. Hiter Harris, Jr.

H. HITER HARRIS, JR. becomes president and chief executive officer, Southern Bank and Trust Company, Richmond, Va., succeeding R. PAGE FRENCH, who continues to serve the bank in an advisory capacity, as board vice-chairman and executive committee chairman.

FRED HOLLAND, from president, First National Bank of Longview, Tex., to president, The Merchants and Planters National Bank, Sherman, Tex., succeeding L. S. OMOHUNDRO, who becomes co-chairman of the board, with C. L. ROLISON.

R. N. (Bob) PITTMAN, from vice-president to senior vice-president, Irving (Tex.) State Bank.

J. HAROLD STRINGER becomes president, Tyler (Tex.) Bank and Trust Company, succeeding W. A. POUNDS, who becomes board chairman and chief executive officer; CHARLES F. HAWN, Texas Highway Commissioner, joins the bank's board; J. S. HUDNALL becomes vice-chairman of the board.

New vice-presidents at The Detroit (Mich.) Bank and Trust Company: GEORGE E. CLARK, RODKEY CRAIGHEAD, ALBERT W. HOLCOMB, WILLIAM DUELL, DIX HUMPHREY, and GEORGE L. HAWKINS.

WILLIAM H. ANDREWS, from senior vice-president to executive vice-president, Citizens National Bank, Los Angeles, Calif.

William L. Maude

WILLIAM L. MAUDE, from president to board chairman, Howard Savings Institution, Newark, N. J. JOHN W. KRESS, from executive vice-president to president; NORMAN P. MCGRORY, from senior vice-president to executive vice-president.

THE Toledo Small Business Association, with more than 850 members dedicated to furthering small business interests through active support of sound legislation and good government, has elected J. ARCH ANDERSON, vice-president and secretary of The Ohio Citizens Trust Company, Toledo, as its 1961 president. TSBA offers, among other assistance, sales and management workshops and management and marketing aids to its memberships.

George L. Rice

First National Bank of Dalton, Ga., has a new president for the first time in 20 years. GEORGE L. RICE, executive vice-president becomes president, succeeding SAM J. HEAD, who retains board chairmanship. MR. RICE was 1943 president of the Georgia Bankers Association.

From assistant vice-president to vice-president: FRANCIS P. WAGNER, National Boulevard Bank of Chicago, Ill.

(CONTINUED ON PAGE 32)


CURRENCY
NRI CHANGER

(CONTINUED FROM PAGE 28)

ALLEN T. LAMBERT, from vice-president and general manager to president, The Toronto-Dominion Bank, Ontario, Canada.

GEORGE A. HALEY becomes executive vice-president, New Mexico Bank and Trust Company, Hobbs.

BRADLEY CURREY, JR., WILLIAM C. CLONTS, from assistant vice-presidents to vice-presidents, Trust Company of Georgia, Atlanta.

E. RICHARD WERNER, from executive vice-president to president, The Western Saving Fund Society, Philadelphia, Pa., succeeding P. BLAIR LEE, who retires.

HENRY C. BRUNIE, from assistant vice-president to vice-president, Empire Trust Company, New York; HERBERT W. BECKER, from assistant secretary to assistant vice-president.

JOSEPH H. BROKAW, from assistant vice-president to vice-president, Utica Square National Bank, Tulsa, Okla.

WILLIAM P. SHOFNER, SR., from assistant cashier to cashier at Calumet National Bank of Hammond, Ind., succeeding ALFRED M. MALLETT, who remains vice-president. EDWARD L. GROTH, from assistant vice-president to vice-president.

J. ALLEN REYNOLDS, JR., trust officer, also becomes vice-president, First National Bank of Montgomery, Ala.

ADAM J. ZAUN becomes vice-president and comptroller, Franklin Savings Bank, New York; THOMAS M. BRENNAN to assistant secretary.

E. HENRY POWELL, who is general secretary of The Savings Banks Association of the State of New York, becomes president of The City Savings Bank of Brooklyn, N.Y.

Dr. JOSEPH FIDANZA becomes vice-president, Mechanics National Bank, Burlington, N.J.; EDWARD A. KELLY JR., becomes assistant vice-president.

HOWARD W. HAMMARLUND becomes vice-president, Union Dime Savings Bank, New York.

***Left to right:* John H. Millikin, senior vice-president; Lewis A. Lapham, executive committee; William H. Moore, board chairman; and Alex H. Ardrey, vice-chairman of the board**

Underground-Breaking Right Between the Tracks

NOT a ground-breaking, but an underground breaking ceremony started construction of the new 30-story BANKERS TRUST BUILDING at Park Avenue and 49th Street in Manhattan. The first shovel of earth was turned between New York Central railroad tracks, two levels—55 feet below the street. Even as this took place, workmen were busy far above ground tearing down the old luxury apartment house on the site—a job to go on simultaneously with the beginning of underground construction. The site lies completely over operating railroad tracks, just at the point that the main tracks begin to branch into upper and lower levels.

Four senior management executives appear at the underground breaking, above.

Miami Beach (Fla.) First National Bank announces promotion of THOMAS E. MOTTOLA to executive vice-president.

JOHN R. VAN DER ZEE becomes vice-president, California Bank, Los Angeles.

JAMES F. MAXWELL, cashier, also becomes vice-president, First Hutchings-Sealy National Bank, Galveston, Tex.

(CONTINUED ON PAGE 135)


1-2-3-4
1-2-3-4
HAMMERMILL
SENTRY® SAFETY
SPEAKS BANKERS'
LANGUAGE
ACCURATELY TRANSLATES MICR SYMBOLS
Magnetic ink printing demands a smooth, level paper surface. Sentry Safety has it, because Hammermill has blended exclusive Neutracel® pulp and other premium pulps in this new paper. Sentry Safety assures you accurate reproduction of type E-13B coding symbols.
SHOUTS "STOP!" AT CHECK-RAISERS
Hammermill Sentry Safety gives you two-way protection. When commercial ink eradicator touches the paper, the surface design is destroyed, and a rash of warning words—STOP·STOP·STOP—pops out.
AND...

BANKING

MARCH 1961

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

The OUTLOOK

and CONDITION OF BUSINESS

WHILE the chief architect is still working on blueprints and writing specifications, and the builders at the other end of Pennsylvania Ave. are as yet only sharpening their saws and hefting their hammers, it's difficult to say how the New Frontier Model House is going to look a few months from now.

One thing seems evident: The architectural style is looking more "traditional" than seemed likely at first.

★ ★ ★ ★

Soon after his inauguration, the President made no secret of his wonderment at the depth, breadth, and complexity of the problems he had acquired.

His well-staged press conferences and his well-expressed messages to Congress have increasingly indicated the chastening effect of Mr. Kennedy's first contact with the most demanding job in the world.

★ ★ ★ ★

His programs and proposals have ranged from a ceiling on Uncle Henry's souvenir buying in Paris to a floor under the whole family's health care—an ambitious program whose cost can't be assessed by even the experts.

Even with a friendly Rules Committee and a Democratic majority in both Houses, some of Mr. Kennedy's more ambitious plans are going to have rough handling in the legislative process. It is already evident that the 87th is no "yes-Congress."

★ ★ ★ ★

One White House blueprint that has already been studied in hearings on Capitol Hill is the President's Economic Report, delivered on February 2. In it Mr. Kennedy discussed his broadened Social Security program; his proposed 25% increase in the minimum wage; jobless benefits; assistance to distressed areas; a boost for housing and urban renewal; tax incentives to stimulate investment in plant and equipment; and establishment of a President's Advisory Committee on Labor-Management Policy—a proposal with far greater potentialities than are seen at a casual glance.

The Economic Message received generally favorable comment in the press. *The Wall Street Journal,* for example, said that "the Economic Message is, on the whole, more sober in thought and more restrained in its proposals than the advance billings. Mr. Kennedy is once again proving himself to be a cautious man at swallowing nostrums. . . . [the report] is bound, we think, to leave a little uneasiness about what happens next. For the President has proclaimed it a duty of the Government to 'do what needs to be done,' and when the Government is going to both define all our needs and provide them for us, the things it may do to us are boundless."

The New York Times said that the report "reflects at once his activist philosophy and his cautious approach. . . . The President placed the greatest stress on both expanding and speeding up various programs that are already in existence. . . . Some of these proposals will, of course, be costly, and the President did not offer any cost estimates. He did claim with questionable accuracy that they 'will not by themselves unbalance the budget.' "

★ ★ ★ ★

Because of the immediate importance to the banking business of much that Mr. Kennedy proposed in his Economic Message, we give here briefly, from our Washington correspondent, Herbert Bratter, some highlights of comment made at the hearings by the Joint Economic Committee.

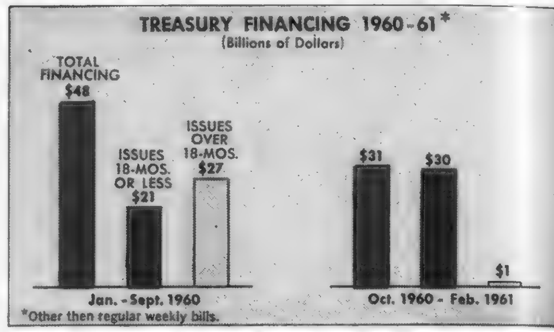
In discussing the credit markets of 1961, Roy L. Reierson of the Bankers Trust Company, New York, predicted new expansion of Federal, state, and local government borrowing. While new corporate issues will presumably ease in volume, real estate mortgage debt will fully offset this. To finance the demand, ample credit will be available; unless there is a buying boom or a resurgence of inflationary psychology, the favorable trend of savings

(CONTINUED ON PAGE 138)

The Condition of Money and Credit

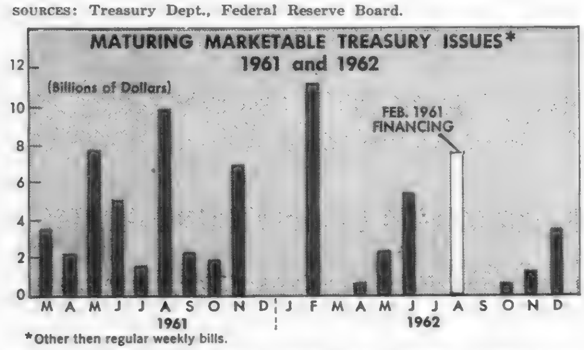
THE new administration's debt management philosophy was partly spelled out early in February in the Treasury's first debt financing since the inauguration. An 18-month 3¼% note was offered to replace $6.9-billion of maturing one-year certificates. In making its selection, the Treasury was guided by two contradictory objectives: (1) to stem further decline in short-term rates to help ease the balance of payments problem and (2) to encourage a decline in long-term rates in order to spur capital investments.

In theory, by selecting a short-term issue, the supply of short-term securities would be increased, market prices would be lower, and yields, of course, higher. Economic slackness discouraged selection of a long-term issue as this would compete for long-term credit. The Treasury said it has no intention of forcing long-term rates down but would not hesitate to nudge them a little. A move in this direction has already been made by the Administration's easing of FHA mortgage rates.

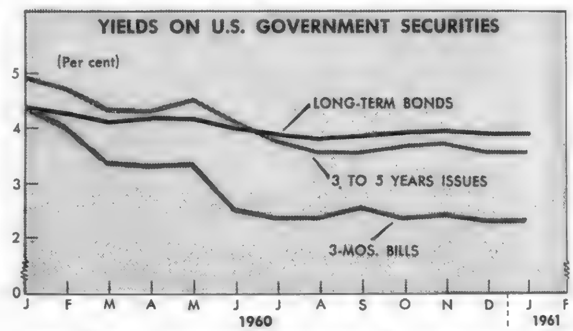


Recent Treasury financing has been confined largely to short-term issues, a reversal of attempts earlier in 1960 to lengthen the debt. Of the $31-billion of new securities offered since October 1960, $30-billion consisted of issues maturing in less than 18 months

SOURCES: Treasury Dept., Federal Reserve Board.

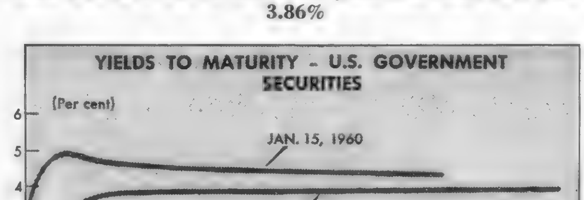


The Treasury might have decided to offer a shorter-term issue than the 18-month note offered in February had it not been for a congested calendar which shows sizable maturities due in nearly every month for the next year-and-a-half

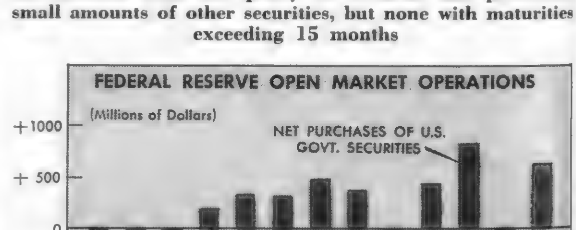


Yields on all Government maturities in mid-January were considerably below the level of a year ago, with the greatest declines occurring in the short-term issues

Average yields on Treasury bills and long-term bonds have been relatively stable since July 1960, following sharp declines in the first half of the year, when 90-day bills dropped from 4.35% to 2.30% and bond yields fell from 4.37% to 3.86%



Open market operations—the purchase or sale of securities by the Fed to influence bank reserves—have been generally restricted to "bills only." Since early November, the Fed has deviated from this policy on occasion and purchased small amounts of other securities, but none with maturities exceeding 15 months



Digest of the Business Outlook

Money Supply and Demand

LOANS. January's loan repayments were about normal; about \$2½B, some 370 banks report. Securities dealers repaid on December loans. Food & commodity firms normally repay during first half-year. Metal firms been repaying since July. But oil & chemical borrowing increased in January . . . banks increased portfolios of Governments in January, when they normally sell.

RATES. In early weeks of 1961 Treasury bills held fairly stable at around 2¼%. High-grade bond yields rose slightly; corporates off slightly. . . February 1 President Kennedy announced ¼% cut in FHA-insured loan rates and promised other complementary action to speed up housing projects. Should stimulate lending by s&l associations.

SAVING. Net increase in saving in each quarter of '60 was lower than year earlier. In billions of dollars:

	1st Q	*2nd Q*	*3rd Q*	*4th Q*
1959	7.3	18.7	18.3	17.2
1960	2.3	11.4	10.4	...

Federal Budget

FEDERAL BUDGET. All agencies were directed to report by Feb. 20 any proposed *major* budget changes. Reductions may be handled in the appropriation hearings, but increases will be subject of supplemental requests. Some changes already decided were listed in JFK's state-of-the-union message; e.g., money and food for unemployed; improving our air-lift capacity, accelerating the Polaris & missiles programs. And there are bound to be some revenue proposals.

INFLATION. President revealed to news conference awareness of conflict between full employment and inflation control, but he pursues both goals, and in the order mentioned. And he promises: "no devaluation of the dollar," no change in the official \$35-an-ounce price of gold.

General Indicators

GNP in 1960 estimated in Eisenhower's *Economic Report* at \$503.2B, up from \$482.1B in 1959 and highest ever. Farm portion, \$21.2B, was not a peak, but nonfarm \$435.3B exceeded previous peak, \$417.6B in 1959. In coming months main effects of Kennedy programs on GNP should be psychological.

PERSONAL INCOME in 1960, \$404.2B, made new high. Was \$383.3B in 1959. After April, manufacturing income declined steadily; most other sources rose. Over-all, May-Oct. personal income climbed to \$409.7; in Nov. pointed lower and in Dec. dropped \$2½B, mostly in manufacturing.

NATIONAL INCOME, \$399.6B in 1959, reached \$418.4B in 1960. Corporate profits declined from \$48B (annual rate) in first quarter to \$42.2B in third. For 1960 as a whole they are estimated at \$45B—excepting for 1959's \$46.6B, the highest ever.

INDUSTRIAL PRODUCTION in January, not yet officially reported, must have declined further, although the decline in autos probably was offset by the gain in steel. Labor Secretary Goldberg reports January employment decline and unemployment increase, so durable goods output must have been hit.

Spending

GOVERNMENT. President Kennedy promises that each spending request to the Congress will be accompanied by suggested revenues to finance it. Any major spending increases are more likely next fiscal year than this.

BUSINESS. Capital spending has declined moderately since June. Plant & equipment rate peaked in second quarter at \$36.3B. Third quarter \$35.9B; fourth about \$35.6. Still points downward. In Oct., McGraw-Hill foresaw 3% drop in 1961; in Dec., changed to 5%-7% drop. Next Commerce-SEC forecast is due about March 10.

CONSUMER. Auto sales Jan. first three weeks quite low, but slightly above 1958 & 1954 recession rates. Down 15%-18% from year ago. Auto inventories are high. . . Weather has hurt winter department store sales. Administration plans to sustain consumer incomes & spending, but that will take a while. . . Next few months may be rather slow.

Prices

CONSUMER. Modest continued rise probable. 1960 saw fairly good drops in autos & durables; used cars dropped sharply, but started up in December. Services persistently rising. Eventually they may level off, but not likely before 1963.

WHOLESALE. Hard to forecast; probably near low now. Steel scrap seems to have touched bottom & points higher. Lumber & other industrial goods also may rise in coming months. Farm products will show less strength, with more pork and eggs on the way.

Employment

STILL WORSENING, but faint signs bottom may be close. Jan. unemployment, 5.4 million, or 6.6% of labor force, after seasonal adjustment; down from Dec.'s 6.8%. Feb.-March are seasonal highs for unemployment.

General Categories

AGRICULTURE. 1961 began with prices received by farmers 4% above 1960's and prices paid up less than 1%. New Administration's plans, coming piecemeal, won't injure farmers. E.g., more food for the needy here and abroad. Feed grains and wheat surpluses being studied.

TEXTILES. Still wait-and-see in cottons. Business quiet. Industry's periodic downcycle coincides with general recession. Still, things are better than in 1958 recession. Upturn awaits

general improvement. . . Poor trend in woolens expected to change by about mid-year.

ELECTRICAL EQUIPMENT. 1960 was below expectations for heavy power equipment. As economy improves, new orders should increase in third quarter. 1960 decline in shipments reflected low order rate of 1958, because of lead time. As orders picked up in 1959 and 1960, production will gain in 1961.

TRANSPORTATION. January RR carloadings were disappointing, down 19% over the year. Weather partly responsible. If economy improves, so will carloadings. . . Air transport growing gradually; no upsurge before second quarter likely. Up 4%-5% in year, growth is less than postwar 10%-12% average. Industry views future confidently. Some consider air travel an early business indicator.

AUTOS. By early February some 30,000 workers had been laid off. Dealers' inventories about 1,025,000 cars, compared to normal 775,000. Ford last fall put 1961 industry sales at 6,600,000 cars; now says 6,200,000 or so, including maybe 425,000 imported. Compared with 1960 production of about 6,700,000, Commerce Department estimates 1961 at 5,800,000 cars. Sees first-half sales slow.

HOME EQUIPMENT. Despite dull January, industry not pessimistic. Awaits pick-up in dealers' inventories, now very low. Should improve before April. Spring is peak season for ranges, refrigerators, air conditioners.

PAPER & PAPERBOARD demand stayed level last few months. Commerce Department sees 1961 sales about 1½% better than 1960, assuming recession ends. Service industries using increasing amounts of paper and board: paper bath mats in motels; packaging of merchandise in supermarkets; etc. Low inventories portend well.

RUBBER. Slow in main lines lately. December was "pretty sick." Next few months will continue slow, with auto business reduced. Replacement of tires won't equal the loss through slower auto sales.

COAL. Production of bituminous in 1960 was about 413,000,000 tons. A slight increase expected this year. Winter weather has stimulated consumption in some areas.

STEEL. U.S. Steel's good 1960 earnings reflect its effective cost-saving efforts, despite higher strike-settlement package. . . Steel capacity data are no longer issued, only production indexes. . . Washington suspects industry's past estimates of user inventories have been too low. Had estimates been right, pick-up before 1961 would have occurred. Government watching February trend closely for sign that lowest inventory point has been passed.

ELECTRONICS. Japanese Government has cut down substantially sales of 3-transistor radios here. . . Effects of JFK's defense revisions on electronics industries will be assessed on basis of Pentagon's task force reports being submitted in February. Administration is disposed to spend what's needed. Bases and missiles involve lead times of 2-4 years; but effect of stepped up aircraft and other programs could be felt before 1962. Equipment grows ever more complex; needs grow, even without stepped up defense program.

CHEMICALS. Holding about even; no pronounced trend. Volume stays at high level, but profit squeeze is felt, worldwide.

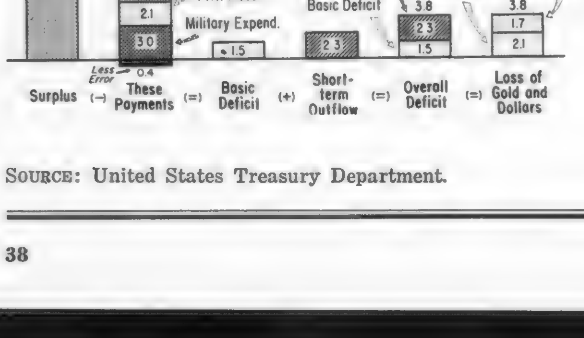
FOOD PRODUCTS have raised their sights on 1961 since late 1960. Expect 5%-6% gain in dollar volume this year. "Convenience foods" keep gaining in popularity.

HOUSING. Administration moves probably will mean more FNMA short-term offerings, the effects of which on short-term rates the Fed can offset. Also, s&l assn's are being encouraged to borrow from Home Loan banks. Stimulus to housing will be temporary, so long as unsold houses clutter the market.

BALANCE-OF-PAYMENTS ARITHMETIC—The Treasury chart at the left shows in the third bar the basic deficit in 1960, this being the $1.5-billion difference between the $5.8-billion surplus on trade and services account on the one hand and the total payments for economic aid, private investment, and military expenditures on the other. To this basic deficit the Treasury adds the short-term capital outflow of $2.3-billion in 1960. In net settlement of this deficit foreigners took $1.7-billion of gold and increased their assets here by $2-1-billion. The right-hand chart portrays economic aid abroad as but a small part of our total deficit. Military aid to other countries is not shown separately, but is combined with other U.S. military spending abroad in the $3-billion figure shown in the right-hand bar.

U.S. BALANCE OF PAYMENTS, 1960

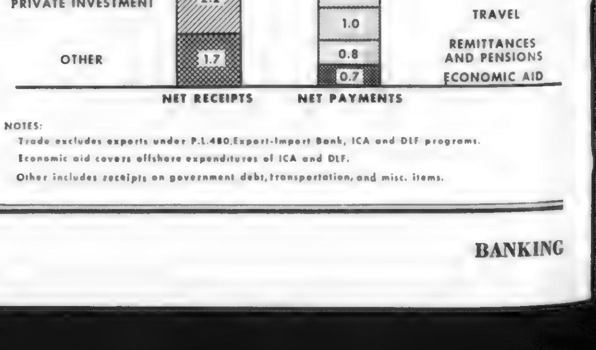
$ Billions



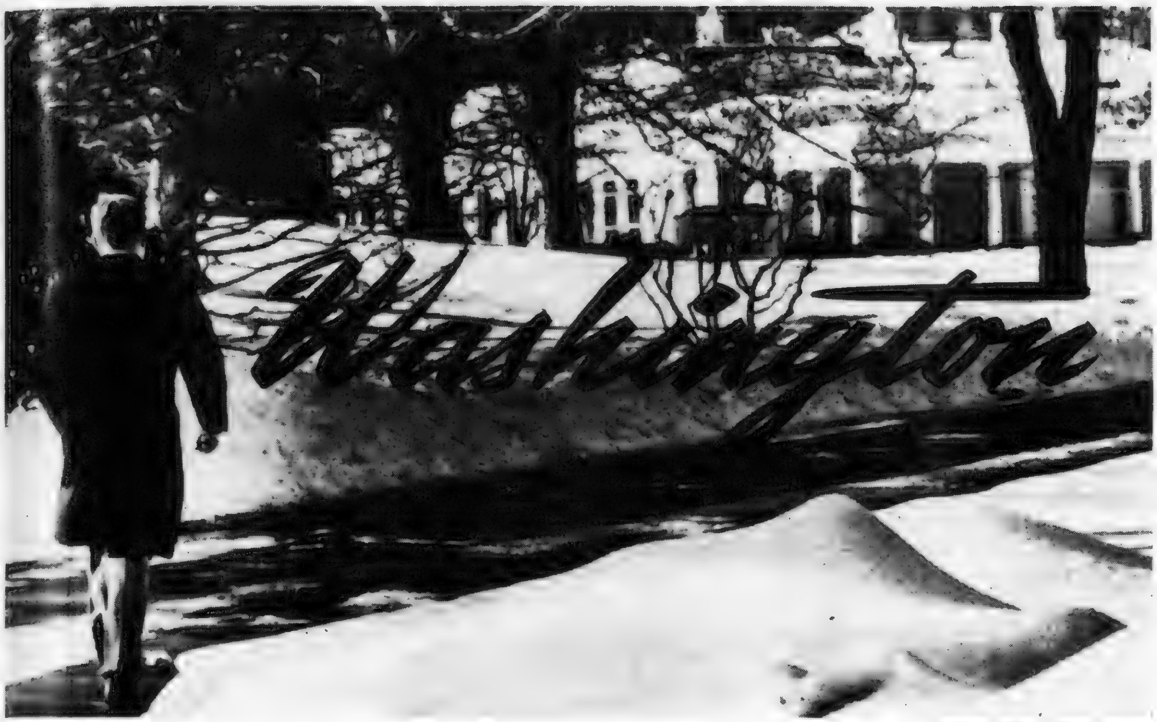
SOURCE: United States Treasury Department.

HOW MAIN ITEMS IN BALANCE OF PAYMENTS AFFECTED OUR DEFICIT IN 1960

$ BILLIONS



NOTES:
Trade excludes exports under P.L.480, Export-Import Bank, ICA and DLF programs.
Economic aid covers offshore expenditures of ICA and DLF.
Other includes receipts on government debt, transportation, and misc. items.



UNITED PRESS INTERNATIONAL

THOMAS W. MILES

THE IMPETUS for tax equality for commercial banks may come from the Administration, not Congress, and with strings attached. The strings, of course, would be the other items in the tax package.

Outlook for Tax Reform

President John F. Kennedy is talking about tax "reforms" which undoubtedly would include some bitter with the sweet. His Democratic Party is committed to a program of tax "reform" in its platform. On the other hand, Chairman Wilbur D. Mills of the House Ways and Means Committee, where tax legislation originates, has shown some reluctance to get into general tax revision this year, suggesting instead the possibility of piece-meal legislation. And next year, an election year, would hardly be the time to delve very deeply in the politically complicated matter of taxes.

Could this piece-meal legislation include the Harrison-Curtis "tax uniformity" bills? The American Bankers Association is working to that end, giving the Harrison-Curtis bills A-1 priority on its legislative program.

The Administration has somewhere a body of tax recommendations presented by one of the Kennedy task forces which was headed by the new Assistant Secretary of the Treasury (for taxation), Stanley S. Surrey. Although it has not been made immediately available (at least, not at this writing) either to the public or to the Ways and Means Committee, some of the Surrey task force recommendations could be included in whatever President Kennedy sends to The Hill.

Perhaps the Surrey report was one of the things that Secretary of the Treasury Douglas Dillon had in mind when, at his confirmation hearing, he told the Senate Finance Committee, Treasury would come up with tax recommendations later in the spring. Somehow the date was reported as April 1, although the record of the hearings shows no specific date.

In his outgoing budget message, President Dwight D. Eisenhower talked about correcting tax inequities and in the very next sentence cited cooperatives. He followed that by recommending a review of "the tax burdens now carried by lending institutions and insurance companies to determine whether or not inequities exist and to remedy any inequitable situations which may be found." The linking of lending institutions and insurance companies was considered significant.

President Eisenhower also reported that Treasury "has under way studies relating to the operation of the existing statutes in this area." He suggested that these studies should be of assistance to Congress in such a review. They will undoubtedly be considered by the new Administration, regardless of politics, because they are the work of the highly professional Treasury staff.

In view of Professor Surrey's move from the Harvard Law School to the Treasury and that of Professor Walter W. Heller from the University of Minnesota to the chairmanship of the President's Council of Economic Advisers, it might be revealing to check the hearings in connection with the tax revision in the fall of 1959 for their ideas about tax "reform."

What's Meant by "Reform"

Prof. Surrey was critical of "a steadily growing trend to differential tax liability in terms of the source of income through preferences granted to particular kinds of income." He would tear down "tax shelters" which in the political world are called "loopholes." He would institute withholding at the source of dividends and interest, eliminate the dividend exclusion and credit, and narrow the scope of the capital gains tax as well as in-

crease its rate. As a compensating factor to broadening the base of taxation by eliminating differentials Prof. Surrey would reduce top rates to about 65%.

In his paper Prof. Heller cited savings and loan reserves as "tax-sheltered." He found the rationale of tax-sheltered treatment difficult to discern from a broad economic policy standpoint.

At the hearing Prof. Heller argued that the objective of growth provides more support for eliminating existing differentials than for introducing new ones. He felt that tax preferences "pull resources away from the optimal uses to which they would be channeled by the free workings of the market mechanism, the optimal uses which yield maximum value output per unit of input, which is the royal road to economic growth."

This is the theoretical context in which these two eminent economists in the field of taxation look at these matters. But now as public administrators in high places their objectives may be modified somewhat by the practical realities of what they can achieve politically.

UNITED PRESS INTERNATIONAL

To get a share of surplus food, unemployed residents of Detroit respond to the Government program which provides areas that President Kennedy has designated as "depressed" with extra supplies of corn meal, flour, milk, lard, and rice

A Clue to the Future

The best indication to date of what the Administration has in mind is a very general statement in President Kennedy's program for economic recovery and growth, his State of the Union message of February 2. In it he declared: "Among the reforms of the Federal tax system which I expect to propose at a later date is a modification of the income tax laws to provide additional incentives for investment in plant and equipment. To avoid a net revenue loss I will also recommend measures to remove several unwarranted special tax benefits, and to improve tax compliance and administration. It should be possible to reform the tax system to stimulate economic growth, without reducing revenues and without violating the basic principles of fairness in taxation."

Could the reserves that mutual savings banks and savings and loan associations are privileged to set up for bad debts be one of the "unwarranted special benefits" that the President has in mind?

If so, corrective legislation has already been introduced by two members of the House Ways and Means Committee, Representatives Burr P. Harrison (D., Va.) and Thomas B. Curtis (R., Mo.). Their bills which are identical are numbered H. R. 2899 and H. R. 2900, respectively.

Mr. Harrison quoted estimates that this change in the treatment of reserves would bring in $200,000,000-$250,000,000 annually in tax revenues. This could be quite an incentive at a time when a new Administration is taking such a hard look at "unwarranted special benefits."

Politically Favored Move

The Harrison-Curtis approach to the problem of providing a more uniform Federal tax treatment of savings and loan associations, mutual savings banks, and commercial banks also has a political point in its favor. It was recommended by Treasury back in 1951 during the Democratic Administration of President Harry S. Truman when Congress decided that savings and loan associations and mutual savings banks should be taxed at the corporate tax rate.

The Harrison-Curtis proposal would repeal the provision in the Internal Revenue Code which permits savings and loan associations and mutual savings banks to accumulate tax deductible transfers to reserves in any reasonable amount as long as the sum of surplus, reserves, and undivided profits is less than 12% of deposits or repurchasable shares. Their transfers to bad debt reserves would then be based on an amount which the Treasury determined to be reasonable rather than on an arbitrary percentage figure, and be computed on outstanding nongovernmental loans rather than on deposits or repurchasable shares.

Mr. Curtis pointed out that the bills are not intended to establish the same formula or method of computation now used for commercial banks. What they do intend is that these institutions operate according to the rules with respect to the establishment of such reserves; namely, a bad debt reserve based upon a Treasury determination as is used in connection with other businesses.

Mr. Curtis added that he sought "to close that loophole which allows mutual financial institutions to attain almost all of their reserve growth on a tax-free basis." He contended that there is no justification for continuing the difference in tax treatment which gives one segment of the financial industry an unfair advantage over another.

Tax Figures Cited

Mr. Harrison cited figures showing that Federal Home Loan Bank member savings and loan associations paid in 1952 Federal income taxes of $3,176,000 which was 1.63% of their net profits and in 1959 paid $5,346,000, or less than 1%. In the same years commercial banks paid respectively $662,277,000, or 39.3% of their net profits, and $832,797,000, or 35.1%.

The Harrison and Curtis bills have more political appeal than the Mason bill, H. R. 7950, had last year. They merely provide for a more uniform bad debt reserve treatment of all three types of institutions; they do not increase the allowable percentage figure

for the reserves of commercial banks. That avoids the misinterpretation, so devastating politically, of increasing taxes on the savings and loans and lowering them on the commercial banks.

Another important political factor is the array of support for the Harrison and Curtis bills among banker groups. Besides the A.B.A. there are the Association of Reserve City Bankers, the Bankers Committee for Tax Equality, the Independent Bankers Association, and the Roth Committee.

President Kennedy has certainly managed to convey a sense of urgency to the country's domestic and foreign economic situation with emphasis on the soft spots. He has also made it appear that he is right on top of the situation, concerned, and alert.

Unemployment v. Inflation

In his televised press conference of February 1 President Kennedy indicated that in a choice between unemployment and a little inflation, he would choose the latter. But he does not believe that inflation is necessarily the alternative. He said as much in presenting his program for economic recovery and growth to Congress. He pointed out that the Federal spending programs he was proposing "will not by themselves unbalance the budget which was earlier submitted." The President looks to these programs to sustain consumer spending and increase aggregate demand until the curve of the country's economic chart starts upward. And he expects his tax proposals will raise revenues.

THE INDIANAPOLIS NEWS

Pump Priming

The President's opening point about the country falling further and further short of its economic capabilities produced an interesting editorial comment in *The Evening Star* in Washington. If the labor force is rising by 1.5% a year and the output per man is increasing annually by 2%, as Mr. Kennedy points out, then in 10 years of full production with high prices our industrial output would overwhelm us. It would raise problems something like those of agriculture.

First of the "Must" Bills

By way of implementing the President's program, Senator Paul Douglas (D., Ill.) submitted an area redevelopment bill as the first one in the Senate hopper. Senator A. Willis Robertson (D., Va.) had his Banking and Currency Committee follow through promptly with hearings. This is virtually the same bill that President Eisenhower vetoed last year. The A.B.A. also opposed it then and now as an area of state and local responsibility rather than Federal. In the House the fight over the Rules Committee delayed the organization of the House but that body, too, is expected to move quickly on the bill. It is on the Administration's "must" program along with unemployment insurance extension, old age insurance, housing, minimum wage, and Federal aid to education. Chairman Adam Clayton Powell (D., N. Y.) of the House Education and Labor Committee expects that the Congress will act on the Administration's minimum wage bill by Easter.

And More to Come

The second bill to be introduced in the Senate was one by Senator John J. Sparkman (D., Ala.) to grant a deduction to small businesses for Federal income tax purposes for additional investments in depreciable assets, inventory, and accounts receivable. Later he submitted three complementary bills. One allows deductions of the lesser of 10% of taxable income, or $1,000, in a voluntary retirement plan. The second extends the use of rapid depreciation methods to the purchasers of used machinery. The third compels the Treasury to acquiesce in decisions of the tax courts or courts of appeal unless Treasury takes an appeal from them.

The National Association of Mutual Savings Banks does not expect to move very fast with its bill for the Federal chartering of mutual savings banks. But the bill is in and is numbered H. R. 825.

The fight to change the House Rules Committee, and provide a smoother path for the Administration's legislative program, was won by a close enough margin (217 to 212) to constitute fair notice of a rough legislative session ahead. In any event it gave a prophetic ring to a statement of John Kenneth Galbraith, a Harvard professor and Kennedy adviser, in a feature article in *The Washington Post and Times-Herald* on Inauguration Day. He said: "So things may well go rather more slowly in the next few months than the current political comment holds imperative. And perhaps they should. When things haven't been adequately discussed, they had better be adequately discussed."

To avert a rail strike a special 15-man White House Commission began hearings on management's controversial proposals to end "featherbedding." The group includes Russell Smith, ex-chairman James Mitchell, John Dunlop, and Francis Robertson

UPI

A BANKING Interview

Secretary DILLON Answers Important Questions

SECRETARY OF THE TREASURY C. DOUGLAS DILLON'S *first few weeks in office have been hectic ones, which is understandable considering the circumstances; yet when* BANKING *called on him in February the former State Department economic under-secretary and ambassador was perfectly relaxed, discussing quite freely the financial questions of the day. Some of these, of particular interest to* BANKING'S *readers, we report below verbatim. In addition, we give some opinions on monetary matters as expressed by the Under Secretary for Monetary Affairs, Robert V. Roosa.*

Do you contemplate innovations in Treasury financing, or departures from the recent past in such operations?

I would certainly hope to continue the recent practice of exploring, and experimenting with, all possible ways of improving our techniques in Treasury financing. The wider use of the auction technique is one on which we have an open mind. To date use of this technique can be compared directly with fixed-price issues only in the case of the 1-year bill. Although it appears from this comparison that the auction method has been somewhat more costly for a 1-year maturity, there is no indication that this has been true in the case of any shorter maturity. The 1-year bill is a relatively new market instrument and, until the market has had an opportunity to adapt, the initial cost may be somewhat higher, although there is no assurance that this would necessarily hold over a long period of time. In any case we will not be reluctant to adopt innovations in Treasury financing wherever we feel that they are in the public interest.

The previous Administration introduced advance refunding. Do you think you will use that technique?

Advance refunding is one of the very useful tools that has been developed to contribute to more effective debt management. I do not think we would want to commit ourselves as to exactly under what circumstances we would make use of this technique, but we would keep it under consideration for possible use whenever it might be helpful in achieving one of our objectives in debt management; namely, the accomplishment of a better maturity structure of the marketable public debt. It is one useful way of reducing the congestion of securities in the short-term market. When appropriate in terms of market conditions, this technique tends to accomplish lengthening and spacing of maturities with less disturbance in the market, and less adverse impact on the economy than is true of reliance exclusively upon ordinary refunding or cash offerings.

President Kennedy has recommended that the Treasury issue special securities to foreign holders of dollars. Will such issues affect the U.S. market?

You are referring to the President's directive to me, in his special message on the balance of payments and gold, to use the authority to issue securities, whenever it appeared desirable, at special rates of interest for subscription and holding exclusively by foreign governments or monetary authorities. This directive is the twin of, and complementary to, the President's recommendation that the Federal Reserve Act be amended to permit the establishment of separate maxima for rates of interest paid by member banks on time and savings deposits in this country of foreign governments or monetary authorities. Both proposals are designed as a means of holding or attracting the dollar balances of foreign governmental bodies, including central banks, and would have little, if any, impact on our domestic bond market.

As to the authority, the Second Liberty Bond Act, as amended, under which the Treasury issues all of its public debt operations, is very broad, and under that act the Secretary of the Treasury determines the rates of interest and terms and conditions of all new issues. In case of issues running more than one year, approval of the President is required. Issuing obligations limited solely to foreign central banks (or even private foreign holders) would be no different in substance from

the issuance of obligations to limited classes of domestic holders, such as the bonds offered for purchase only by institutions who borrow from the Rural Electrification Administration. The directive in the President's message, however, was confined solely to issues to foreign governments or monetary authorities and not to private foreign holders.

Treasury tax and loan accounts have been criticized in some circles. Last year Treasury produced a booklet concerning them. Do you feel that banks are rendering to the Government an equivalent service for benefits they get from the T&L privileges? What is your position compared with that of the previous Administration?

I have not as yet had an opportunity to study in detail the report prepared by the Treasury on this subject, but I am confident that any report that may have been issued by the Treasury on the subject was carefully prepared and fairly presented. As I understand the situation, the report dealt with factual matters and concluded that the services rendered by commercial banks far exceeded in value the interest return which the banks earn on their tax and loan accounts.

The tax and loan account method of managing the Treasury's balances appears to be well adapted to our banking system and helps avoid money market disturbances that might otherwise result from our large-scale operations. I understand that several other countries regard our development of this technique as a major step forward in minimizing the disturbing impact of Treasury cash operations on the money market, and plan to look further into the possibilities for adapting these methods to their own conditions.

What about the Treasury's use of financing advisory committees? Do you consider this a good practice?

The Treasury has just completed the first major financing operation of the present administration. As part of our preliminary consideration of the issues to be offered we did meet with the advisory committees of The American Bankers Association and the Investment Bankers Association, as has been customary for many years. I found the discussions and recommendations I received from these committees of real use. I hope we may continue to have the benefit of advice from various groups of investors, including, in addition to commercial bankers and investment bankers, representatives of insurance companies, mutual savings banks, the independent banks, savings and loan associations, and all other interested groups.

Incidentally, among services the banks render to the Government I would mention the Savings Bond program. That program could not have achieved its great success without the support of the banking institutions of this country. By serving as issuing agents, without charge, the banks made the Series E bonds easily available to the general public, from the crossroad villages to the largest metropolis. About 80% of all Savings Bonds are sold through banks, either directly to individuals or for companies operating the payroll savings plan for their employees. Individual bankers also have provided substantial leadership in the promotion of Savings Bonds for the past 20 years. These banker volunteers are providing a valuable service to their community and their country, as well as to their customers.

Unemployment, Minimum Wage

The biggest economic subject before the new Administration and the country is the problem of reducing unemployment and stimulating long-term growth without inflation. Having in mind the British experience with inflation during the postwar years, while pursuing full employment willy nilly, we sought Secretary Dillon's opinion on the outlook for a stable dollar at home in the next few years. The Administration, he explained, is not trying to bring about a situation where jobs are chasing men; but it regards the rate of unemployment of the past few years as excessive and wants to bring it down.

Responding to a question on the program to increase the minimum wage and its coverage, Mr. Dillon said he believes some of the objections are exaggerated—a tempest in a teapot. Both Democrats and Republicans favor increasing the minimum wage. The Secretary does not believe passage of the Kennedy program will start another wage-price cycle throughout the economy. Nor will it have an immoderate effect on our exports and balance of payments. The minimum wage needs

(CONTINUED ON PAGE 137)

NEW NAMES IN THE TREASURY DEPARTMENT

Secretary Dillon (aided by his administrative assistant, Artemus Weatherbee) administers the oath to: Joseph Walker Barr, Assistant to the Secretary, whose duties include Congressional liaison; Robert A. Wallace, Special Assistant to the Secretary, who serves as an economic adviser on financial, banking, monetary, and fiscal policy; and Robert V. Roosa, Under Secretary for Monetary Affairs, who is concerned with debt management

. . . . . Trends in Mortgage

THEODORE VOLCKHAUSEN

The Uncertainties and the Certainties

The wide range of predictions about the course of the economy, Administration policies, the trend of interest rates, home construction, and sales make it clear why 1961 has been labeled a "year of uncertainty." But there are some certainties.

The first is that, during the first half, the supply of money seeking mortgage investment will increase at a faster pace than the supply of new mortgages.

The second and third are that mortgage originators will be able to sell all the mortgages they can promise for near-term delivery, and that the qualified home buyer will have no difficulty at all in obtaining the financing he needs. In many cases he will be in a position to bargain to some degree in respect to rates and terms.

Savings Gains

Savings climbed at a seasonally faster pace in January than they did in the last quarter of 1960 and, during that month, institutions paying 3% to 3½% on savings **participated in the gains to a greater extent.** It is regarded as sure that **this faster rate of growth will continue throughout the first quarter** and majority opinion has it that the outlook is favorable for the whole first half of the year.

Commercial banks reporting noticeably improved savings are found among those which **aggressively advertise this service.** They report that, with the public becoming increasingly savings conscious, they are able to get a share of the increase on the basis of a 3% rate while emphasizing the convenience of "one-stop banking."

Expanded Mortgage Activity

Should this trend continue, **commercial banks will be in a position to expand their mortgage operations**; to what extent is not likely to be clear until midyear. At that time, if the rise in demand for shorter-term loans is well below expectations, previously hesitant bank management will display more interest in mortgage financing. Obviously, those in the business now, or who get started now, will have an advantage over later arrivals.

Competition among all types of mortgage institutions will be at a peak. Savings and loan associations, which as a group are enjoying the greatest savings gains, **will be out to invest more money in mortgages than they did in 1960.**

The mutual savings banks, too, **expect to increase their investments in mortgages,** although not at the pace of the savings and loan associations.

The life insurance companies, on balance, **expect to do about the same as they did last year,** but aim at putting a larger proportion of their funds allocated for mortgage investment into larger loans on apartments and commercial and industrial construction. If they are successful in this it will lessen some of the competitive pressure on home loans.

Commercial banks now originating mortgages for their own accounts and for the secondary market **want to step up their activities.**

Lending

Editor, *Bankers Research,* a newsletter

Higher Ratio Mortgages

Many more banks are now permitted to make 75% conventional mortgage loans instead of being restricted to the former two-thirds limitation. From what is heard, **few of them intend as yet to make these loans for their own portfolios.** On the other hand, banks originating mortgages for the secondary market, which had been convinced until now that 75% loans would not be readily salable, are learning that their investors will be very happy to purchase 75% mortgages on new homes.

Before the election, it was pointed out that a number of mortgage bankers were predicting that if Mr. Kennedy was elected prospects for the availability of 40-year mortgages would be much advanced. A prominent article in *The New York Times* about the 40-year loan is regarded in these circles as a trial balloon.

It describes how such a loan's desirability is mixed—how **the 25-year FHA mortgage for $18,000 on a $20,000 house with monthly payments of $115.98 brings the total cost to $36,794, whereas the 40-year mortgage would reduce monthly payments to $99.04 but would raise the total cost to the purchaser to $49,539—** just about twice the cost of the house. It would put the mortgagor just that much more on a rental basis than a home ownership basis.

Savings banks will be under **pressure from builders to make higher ratio loans.** The New York savings banks have, with a few important exceptions, not taken advantage of the fact that they may grant 90% mortgages on 1- and 2-family homes not more than 10 years old. More of them may do so under pressure from builders who are able to tell them they can obtain commitments to finance a proportion of their houses on this basis from someone else. However, credit requirements on these loans (and the majority end up by being made at less than 90%) are generally rigid.

FHA Mortgages

For this reason it has been felt that **commercial banks would be making a larger proportion of FHA-insured loans to compete with the terms which can be offered by mutual institutions.** The decline in mortgage yields in many sections had neared the point where the former 5¾% return looked favorable.

Even now, with the maximum interest rate reduced to 5½%, the return is likely to be considered attractive—at least by banks originating mortgages for their own portfolios.

Measuring Mortgage Potentials

Bankers attending the A.B.A. National Credit Conference in Chicago were told they can get a good gauge of the housing and mortgage potential in their operating areas through year-by-year checks of the high school graduation records. From these they will obtain a close estimate of the number of persons soon to reach marriageable age.

At a recent state meeting, Pennsylvania bankers were warned, "Short-term lending philosophy on the part of banks is sending many good customers who need mortgage money to competitive institutions, including mortgage companies, out-of-state insurance companies, the savings and loan associations, and mutual savings banks."

BETTER METHODS & SYSTEMS

ELECTRONIC BANKING

Those "Sweeping, Exciting Changes"

FOR a quick briefing on what banks are doing in "automation," there's nothing better than a browse through their annual reports. This department did just that, and the 1960 pamphlets yielded a pretty good cross-section of plans and accomplishments in banking's great period and area of change, the conversion to electronic data processing, especially of checks.

A good start has been made, of course; in fact, it seems that nearly everybody is switching or has switched to MICR, and many banks have, or will soon have, the equipment that revolutionizes check handling. But it's really only a beginning.

If what will happen next is the well-know "anybody's guess"—and perhaps not *too* much guesswork is involved—it takes little imagination to foresee that this electronics business won't rest on its oars. A quick projection of what's ahead is made in the 1960 report of CHEMICAL BANK NEW YORK TRUST COMPANY, New York.

"We are confident that, in the next few years, bank operating methods will undergo more sweeping and exciting changes than have occurred since the invention of the adding machine, and that our customers, staff, and shareholders all will realize material benefits, such as improved service, more pleasant work and better returns on invested capital."

As banks take advantage of data processing centers to lighten their chores, another development is in the offing—indeed, it has arrived. You'll read elsewhere in this report that a Connecticut bank has established an "automated accounting center" which will handle jobs for other businesses as well as the bank's own.

And the MERCHANTS NATIONAL BANK of Cedar Rapids, Iowa, when its data processing system is in complete operation in 1962, plans to make the facility available to business, industry and the professions in its area to use for preparation of payroll, invoice and statement writing, inventory control, sales analysis, etc.

Still another tangent in this vast field is suggested in the report of THE COUNTY TRUST COMPANY, White Plains, N. Y. A section titled "Westchester 1985" says:

"Of special interest and significance in Westchester's future is the county's unique appeal as a setting for giant computer centers now on the drawing boards of large national corporations. The first such center will soon be announced. The bank is considering a special study and report on the many factors that are now being recognized by management consultants as certain to make Westchester an ideal locale for such computers of the future."

All this is introductory to the news of electronic progress which we culled from the reports coming to our desk. There is much more, you may be sure, but unfortunately the available space cannot be stretched, even with the aid of a computer or reader-sorter!

THE FIRST PENNSYLVANIA BANKING AND TRUST COMPANY, Philadelphia, last year installed two complete electronic data processing systems covering high-speed input and output equipment in addition to two computers, thereby providing adequate capacity for converting the bank's large volume operations to electronics. It has already shifted all special checking and several thousand regular checking accounts and insurance record-keeping for approximately 80,000 mutual funds accounts. The consumer credit accounts are in the process of conversion.

OLD NATIONAL BANK, Evansville, Ind., has transferred all its trust record keeping to an electronic accounting system. Further steps in the same direction are being taken in other departments.

ROCKLAND-ATLAS NATIONAL BANK of Boston, with a data processing system on order, has established a processing center which will serve several departments.

THE NATIONAL CITY BANK OF CLEVELAND'S report told the electronics story in a center spread illustrated with a color drawing of computer and check sorter at work. The latter equipment was installed in 1960 and is being used for special checks. A study group, aided by a consultant, is making plans for further electronic machines.

THE FORT WORTH NATIONAL BANK'S computer is handling account records for several departments, including school savings, direct and instalment loans, Christmas Club, employee checking accounts, and commercial checking accounts.

WESTERN PENNSYLVANIA NATIONAL BANK, Pittsburgh, expects to complete soon its regional electronic bookkeeping system, to serve 26 community offices. The bank's data proc-

essing center will handle most accounting functions.

CITIZENS NATIONAL BANK, Los Angeles, established a data processing center in downtown Los Angeles last year. This is a temporary installation; plans are under way for a new, conveniently located center. Tape computer equipment has been ordered. The bank has a reader-sorter.

WILMINGTON (Del.) TRUST COMPANY will soon have a data processing system and will begin testing programs for instalment loan, demand deposit, commercial loan and personal trust departments.

HIBERNIA NATIONAL BANK, New Orleans, is well under way with a consolidated bookkeeping system, all posting done electronically. The bank's progress in this field "has been sufficiently slow to be sure we were safe, yet fast enough to capture the advantages which seemed apparent."

THE FIFTH THIRD UNION TRUST COMPANY, Cincinnati, using a magnetic sorter, expects early delivery of the remaining equipment for its data processing system. The computer site is ready. All demand deposit accounting will be converted by the end of 1961, and the staff will start the system design for other applications planned for 1962 and 1963.

FIRST NATIONAL BANK IN DALLAS has a new sorter-reader which was demonstrated in the lobby. The bank expects its data processing system to be in full operation soon.

CHEMICAL BANK NEW YORK TRUST COMPANY, New York, completing the distribution of magnetic ink checks to its customers, is handling a large volume of individual instalment loans on its computer.

MANUFACTURERS TRUST COMPANY, New York, late last year received the first of 10 check sorters and the first of 40 proof inscribers. Four smaller computers and a large one are scheduled for delivery in the first half of 1961 and the data processing system will start operations in late summer or early autumn.

FIRST AMERICAN NATIONAL BANK, Nashville, Tenn., is getting a data processing system, including reader-sorter.

FIRST NATIONAL BANK of Cincinnati has completed installation of electronic bookkeeping equipment. "Sorters, printers, a computer, and other automatic equipment have been in use in our accounting operations for several years."

AMERICAN NATIONAL BANK, St. Paul, Minn., expects to install a data processing system late this year.

UNION NATIONAL BANK of Los Angeles is expecting early delivery of the first equipment in its system; full automation is anticipated by 1964.

THE FIRST NATIONAL EXCHANGE BANK of Roanoke, Va., has eight new

(CONTINUED ON PAGE 114)

Waterbury Bank's Accounting Center to Serve Other Businesses, Too

THE Waterbury (Conn.) National Bank had news for the stockholders at the 113th annual meeting. President Harlan H. Griswold announced establishment of the Automated Accounting Center of Connecticut to serve business and industry as well as the bank.

The center, operating as a division of the bank, is in the adjoining building. Waterbury National is said to be the first national bank to receive "pilot plan" approval from supervisory authorities and it is expected the experience will be a guide for other medium-to-small banks. Several businesses have already become customers.

"When all the components of this system are fully integrated," said Mr. Griswold, "this center will perform electronic data computations for small, medium, and large industries and businesses, using approximately two-thirds of its available time. About one-third of its time will be utilized by the bank. The center will be able to furnish computer and electronic data processing services to hundreds of companies that could not afford their own installations—nor indeed could this bank acting solely on its own."

The center has been two years in formation, and equipment has been installed in three phases: five electronic posting machines (NCR); an electronic sorter-reader (NCR), and a computer (Bendix) with magnetic ink tape accessories and sorter-coupler.

Some of the services the center can perform are: maintenance of running inventories with accurate reports available daily; time-card analyses; computing, accounting, and regular bookkeeping procedures, including payrolls. Heading the operation is William R. Chandler, who has been working on the program since 1959. He is assisted by Beatrice A. Reardon and Alan J. Zinser.

The processing center, *right*, is next door to the Waterbury National

Combatting the Profit Squeeze

That was the subject of a panel for smaller banks at the Pennsylvania Bankers Association's Operations Clinic in Philadelphia. Here are some of the points brought out.

Take Full Advantage of Fed's Services

IN THE search for increased earnings, take full advantage of all the Federal Reserve System can do for you, suggested William A. Lank, president, Farmers National Bank of Bloomsburg.

Explore fully the **daily reserve requirements.** By careful attention to them you may delay selling short-term securities until you're sure you need the funds to balance out your average reserve.

Habits of large commercial deposits should be carefully watched. If your reserve is short just prior to their normal transfer of funds to your bank, and is due within the 14-day period, such transfers could easily restore your over-all average. If the run-off seems to be for only a few days, the Fed discount window is usually available.

Another way to conserve your reserve balance is by the use of **Federal Reserve bank drafts in payment of large sums** for your account or account of customers. Thus you get advantage of the float; the reserve account is not affected until your draft is presented to the Fed for payment. Sometimes this can be four or five days; multiply this by over a year and you've aided your reserve position greatly.

The average country bank has not always realized the value of the **Treasury tax and loan account.** It may not necessarily be a money maker, but it can be used as a means of conserving deposits and delaying the time of their transfer. When a customer buys Series E or H bonds, credit the proceeds to this account; also, customers' tax payments under Form FT96 for payroll deductions. The account can be used in paying for Treasury obligations through credit to it. This is particularly valuable if you need the type of Treasury issue that is eligible for T & L credit. These funds, remaining in the bank, provide additional earning capacity, even though they don't stay long.

Federal funds are another medium for short-term income. If you have unusual bulges in deposits that can't be advantageously invested, you might look into use of these funds. This is a highly specialized field and should be used only with the advice of your correspondent bank.

Member banks should use their Fed to the fullest. Much can be gained by **careful scrutiny of large outgoing items.** It may be you can send them direct to the Fed, thus gaining time in the availability for credit. Use direct clearings on the Federal wherever possible. This is an excellent means of getting early availability; it's also valuable in breaking up the kiting of checks.

As for other sources of income—review all income accounts.

Have you used to good advantage **tax-free income from municipal securities?**

Review your **checking account service charges, your clearance costs, and recalculate your "earned credit" on balances.**

Do you charge **appraisal fees on mortgage loans?**

Does your **handling charge on securities cover all hidden costs?** (Stationery, secretarial time, etc.)

"MAJOR BREAKTHROUGH"

The Federal Reserve Bank of Philadelphia announced "a major breakthrough in check processing" in the 3rd District following first shipments of electronically processed checks to 85 southern New Jersey banks. The paper was handled by a new computer system at the Philadelphia Fed, one of five Reserve banks studying automated check handling equipment. The others are New York, Boston, Chicago and San Francisco. Each will test machines made by a different company. Pictured, *l. to r.*, Philadelphia Fed President Earl R. Bopp; Assistant Vice-president Harry W. Roeder; Director O. Albert Johnson, president, First National Bank, Eldred, Pa.; A. H. Pfanschmidt, manager, IBM data processing division; R. N. Hilkert, Fed's first vice-president; Director J. Milton Featherer, executive vice-president Penn's Grove (N.J.) National Bank and Trust Co.

Management Can Safeguard Profits

ALERT, aggressive management in operations may make the difference between outstanding and unsatisfactory profits, said Robert F. McCammon, senior vice-president, Girard Corn Exchange Bank, Philadelphia. He reviewed several areas' income potential.

SALARIES AND OVERTIME. In offices where activity and vol-

ume run in peaks and valleys it's possible to establish peak days and part-time tellers, new accounts personnel, and personal loan interviewers may be an answer. Generally, part-time workers want at least two days' employment a week.

Operating departments that can use part-time help include bookkeeping which usually has peak volume on Mondays and Tuesdays. Check sorting and filing, proof operation, and statement mailing can be done by these workers.

One of the best controls for overtime is **good supervision.** In some cases, especially where banks are open at night, it can be avoided by adjusting starting times.

WORK MEASUREMENTS. Some banks have means of measuring the work force needed for processing the daily activities of tellers, bookkeepers, and transit-proof operators. At Girard time factors were set up for each possible type of teller transaction. Based on branch activity and the number of tellers, these weights were given to the teller's time: (1) 60% of it should be in processing work; (2) 28% of time was a constant factor used for standby hours when the window was closed; (3) 12% was reasonable for standby time when windows are open, but inactive.

Girard's operations reviews section indicated that a teller should handle 75,000 to 80,000 items during a year.

How about **a written description of every job** in the bank, and a classification as to the required skill, responsibility, and other factors, thus insuring full use of each staffer's time and effort?

GENERAL EXPENSES. Watch this area carefully. For example: interest on saving fund, advertising and promotion, insurance, office supplies and printing, postage, rent, dues, subscriptions and memberships, telephone and telegraph, taxes. Some of these expenses, notably taxes, are beyond control. But are you on top of all your expenses, and are they related to the income produced?

Are you charging for checkbooks? Girard saved $30,000 last year by providing only certain standard books free.

CONSOLIDATED OPERATIONS. If merged banks still operate separate transit and bookkeeping departments, serious consideration should be given to **consolidating these operations.** In many cases this will be more efficient and practical, require less personnel, and free space for other uses.

SERVICE CHARGE INCOME. What relation do the charges bear to your costs? When was the schedule last reviewed or revised? What percentage of your total operating income comes from the charges? Correspondent bank studies made by Girard indicated that **service fees in small banks ran from 3% to 3½% of total income.**

BUDGETS AND CONTROLS. If you set up annual goals for growth, it should be possible to pinpoint certain areas for concentration, from either an income or expense standpoint. Plan through a budget on **how much and what kind of business you want and how much it will cost.** Set goals for volume and operating costs.

A Few Easily Used Profit-Cost Ideas

FROM Augustus L. Raffetto, vice-president, The Philadelphia National Bank, the clinic got a number of ideas illustrating "the need for thinking about the control of many small activities, no matter how insignificant they may seem individually." Here are some of his suggestions.

WRITE IT ONCE! The idea of a one-time writing job should be exploited and every effort made to enlarge its application. In addition to the obvious substantial labor savings, such procedures eliminate the errors which occur when information is copied. When it is essential to have data available in more than one record, the use of multiple copy forms is suggested. As an example, such forms can cover debits and credits in connection with loan transactions and also provide a maturity notice for the customer. Interest bills in multiple form can be used as a notice to the customer, and the duplicate, when stamped paid, as a medium for posting to the customer's account.

INSTALMENT LOANS. In cases involving the instalment repayment of an obligation, PNB has tried to obtain a demand note and, at the same time, the borrower's permission to charge his account monthly or quarterly for a fixed reduction in principal plus interest. Another technique which your customer may find acceptable is to convert this note into a consumer type obligation with a lower add-on-rate, which would approximate the higher rate calculated on a simple interest basis. Monthly or quarterly payments would be in a fixed amount. A schedule, provided at the time the loan is disbursed, would provide the borrower with the distribution between principal and interest.

FEWER FORMS. Whenever possible, reduce the number of forms and make better use of those actually used. In the case of a collateral note, PNB now has only one, which can be adapted for demand or time use by individuals, partnerships or corporations. An all-purpose guaranty form is available.

BUSINESS FAILURES. These have increased and are at record levels. This influence has been felt on loans and discounts and has shown up in more trouble cases, slow loans, and higher charge-offs. In order to effect maximum recoveries, loans in these categories have been receiving special handling. By having these cases handled by experts, Philadelphia National feels that its losses have been reduced and in a number of cases it has made collections on charged-off loans far in excess of extra costs.

A Computation on Computers

WE fully expect that within the next decade 80% of the computers sold will be used in applications untried today. We also believe that electronic handling of information—with computers as the nerve center for controlling both industrial processes and for handling business data—will have the greatest growth of our economy during this decade.—CLAIR C. LASHER, *computer department manager, General Electric Company, Phoenix, at the A.B.A. National Credit Conference.*

A Package Program to Hold the Gold

Together with Another Look at the No-Hoarding-Abroad Regulation

HERBERT BRATTER

After months of front page headlines about our gold outflow and balance of payments problem and deep deliberation by more than one "task force," the new Administration has come forth with a bundle of remedies for the patient's ailment. The aim of each of the numerous policies and proposals is either to reduce our outpayments of dollars to foreign countries or increase their payments to us.

The Eisenhower Recipe . . .

In general, the Kennedy Administration is carrying forward the dollar-strengthening effort rather belatedly begun by its predecessor. The Eisenhower regime last March launched a big export promotion campaign. This is now being pushed by the present Government. President Eisenhower and Secretary Anderson applied pressure on some of our prosperous allies to play a bigger role in aiding the under-developed nations; and this effort President Kennedy is continuing. So, also, the U.S. is keeping after its trading partners to remove remaining barriers to American trade abroad.

A number of points in President Kennedy's February 6 message to the Congress on balance of payments and gold are of special interest to commercial banks. The President reiterated his determination to maintain the official price of gold at $35 an ounce. He promised that exchange controls over trade and investment will not be invoked. He supports President Eisenhower's January executive order forbidding Americans to buy or hold gold abroad.

To the extent that weakened confidence in the dollar was adding to the already worrisome gold outflow, the anti-hoarding order should make a positive contribution. Some of the funds which fled abroad in speculation on an increase in the price of gold here may return. In the outflow of hot dollars, as has been related in these pages in recent months, the relatively higher interest rates obtaining in Europe also have been a major factor in the outflow of dollars and hence of gold. With this in mind the President has recommended legislation and issued a directive to the U.S. Treasury.

. . . with More Sugar . . .

First, he proposes amendment of the Federal Reserve Act to permit member banks to pay on time deposits of foreign governments or monetary authorities a higher rate of interest than the present 3% permissible maximum. Most such foreign time deposits are held by New York City banks, which may be expected to avail themselves of an increase in the maximum interest rate in their competition for foreign accounts. Such funds may then be used by the banks for short-term credits, including stock market credit. The aim is to attract and hold more foreign funds "which might otherwise be converted into gold." A higher maximum interest rate on time deposits, of course, would not hold here capital that was anticipating weakness in the dollar and seeking a safe refuge. Nor would higher interest rates affect gold withdrawals by countries earning dollars and whose fixed policy it is to keep a certain portion or perhaps all of their monetary reserves in gold.

. . . Less Vinegar . . .

Second, Mr. Kennedy asks that the tax law be changed to unify the tax treatment of the earning assets of foreign central banks here. Their earnings here on bankers acceptances and bank deposits are now tax exempt, but some—not all—central banks are taxed on their income from U.S. Government securities. The President wants them all to be tax exempt.

. . . and Special Packages

The third item in this part of the Kennedy "package" is the directive to the Treasury to use the authority contained in the Second Liberty Bond Act to issue securities, at special rates of interest, for subscription and holding exclusively by foreign governments or monetary authorities. Such new securities would be comparable in nature to the depository bonds long issued domestically to commercial banks holding Treasury deposits. On such securities the Treasury will have to pay foreign holders a better return than it must pay holders of other securities and, as we have just seen, central banks would have the additional advantage of tax exemption.

The Net Result

In effect, by these measures, the U.S. pays a price for holding or attracting gold that would not otherwise be here. In effect, it will be paying interest on such gold. Persons who privately hoard gold bullion

know that they are holding a non-earning asset and are even put to expense in holding the gold. The U.S. Government is now, by the above measures, undertaking a still greater proportionate expense for the sake of holding gold.

Wider Eximbank Services

Also of interest to many banks is that part of the Kennedy program relating to export guaranties and financing. The aim is to carry farther the widening of the credit services of the Export-Import Bank initiated in 1960 as part of the export drive. Mr. Kennedy asks for "a new program . . . to place our exporters on a basis of full equality with their competitors in other countries." The President has given Eximbank until April 1 to come up with recommendations and at this writing it is trying to comply.

The Administration intends to strengthen the Government's commercial representation abroad, a policy started last year. Likewise, it is continuing with the plans to try to stimulate foreign tourist travel to the U.S. American tourists, Mr. Kennedy recommends, should no longer be allowed to bring in as much as $500 of foreign purchases after a 12-day absence from this country, but only $100 worth. This change, when enacted, may help our payments balance, but not on a big scale.

Selling the Farm Surplus

The President has asked the U.S. Department of Agriculture to report on all feasible and internationally desirable means of pushing our exports of farm products. Since we have long been reduced to giving away farm surpluses, how to increase our dollar earnings from that source is a challenge to the imagination.

On procurement for foreign aid, the Eisenhower emphasis on "buy American" is being continued. New foreign investment in the U.S. is to be actively solicited by the Commerce Department. The making of such investments would tend to reduce our payments deficit, although the servicing later, through dividends and repatriation of capital, would have the opposite effect.

Taxing Foreign Earnings

Earnings of subsidiaries of U.S. firms abroad are not now taxed until brought home, and the Treasury is to report by April 1 on what remedial action may be justified. The President has asked for legislation to prevent the abuse of "tax havens" abroad where Americans avoid U.S. taxes.

Closing the Gold-Holding Loophole

UNTIL June 1 it remains legal for Americans and foreigners within U.S. jurisdiction to own gold bullion abroad. Thereafter, the only gold they may legally hold abroad—as here—will be gold coins of numismatic value. The privilege of owning gold bullion abroad has been an exception to the Executive Order No. 6260 of April 5, 1933, which made it illegal to own monetary gold in this country. The order issued by President Eisenhower on January 14, 1961 (Executive Order No. 10-905), amends the 1933 order. President Kennedy announced in his balance-of-payments message on February 6 that the Eisenhower order "will be maintained."

Preceded by Contention

The January 1961 order had been under consideration for more than a year, prompted by the balance of payments deficit and gold outflow, which assumed major proportions in 1958. Within official circles opinion on the latest action was divided. The Federal Reserve Bank of New York, it is rumored, did not favor the edict. While for a long time some officials argued for the order on the grounds of equity, others, on the grounds that gold hoarding was not in the news in a big way, contended that for the U.S. to interdict private American gold holding abroad might have a bad psychological effect and create distrust of the dollar. For a long time the latter argument prevailed. By November 1960, however, after the free market price of gold in London had climbed steeply, there was no longer any good reason for delaying the contemplated step. Perhaps it would have been wiser to include the gold order with the gold-saving, balance-of-payments directives issued by the White House in November.

Followed by Comment

While the gold order, naturally, has caused widespread and varied comment on the future of gold and the dollar, no major consequences have as yet manifested themselves. A British Treasury spokesman announced: "We regard it as a very consistent and natural act to take in the present circumstances . . . since virtually all countries which prohibit their citizens from holding gold internally also prohibit them from holding gold abroad." A U.S. Treasury spokesman naively explained to the press that the step was designed to "tidy up" American gold regulations. Be that as it may, it took the U.S. 28 years to close the loophole.

Among questions being asked about the January order are whether it is enforceable, and whether it will be followed by exchange control and perhaps devaluation of the dollar. Some, indeed, ascribe the step to inability of the U.S. to control the gold outflow and to official fear of an eventual gold embargo.

Two Important Aspects

Two aspects of this should be especially noted. Since gold holders have until June 1 to dispose of their present holdings abroad, the order does not suggest any panicky attitude in Washington. Secondly, such gold holders are not asked to sell their gold to the U.S. Government or even to repatriate the proceeds they receive when they sell the gold. If the proceeds are otherwise reinvested abroad, no balance-of-payments benefit to the U.S. results.

A Matter of Equity

Rather, the order was based upon considerations of equity. One such consideration was the restriction on U.S. military and civilian dependents abroad (the nature of which was altered by Mr. Kennedy); so it was felt that such savings should

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A Visit with Erle Cocke

New Chairman of the FDIC

On January 20 last, Erle Cocke, Georgia Democrat, past president of the A.B.A., and member of the FDIC's 3-man board, was sworn in as chairman of that organization, replacing Jesse Wolcott at the head of the board table. Mr. Wolcott continues as a board member.

Dropping in on Mr. Cocke at his office overlooking Washington's busy traffic corner at 14th and F Streets, we sought his views on some current banking matters. One subject that has made prominent newspaper headlines this year has been bank defalcations. Mr. Cocke commented: "Irregularities are constantly occurring in banks in amounts from a few dollars to many thousands. The 'recent rash' of news headlines comes about only because a few bank embezzlements have been for very large amounts and, for that reason, have acquired more than the usual publicity."

Many newspaper readers wonder how big defalcations can occur in banks, since they are examined by Federal and state banking authorities. Commenting on this, the FDIC chairman offered banks a piece of advice, saying:

Examinations Aren't Audits

"The examination process of state and Federal supervisory agencies is not an audit of the bank's records and does not include a verification of depositors' balances. The examination includes a check of balance sheet items and an appraisal of the bank's assets. The report of examination also includes a review of the bank's operating procedures and such recommendations as the examiner may deem desirable for their improvement. In cases where there is a lack of internal audit routine, it is recommended that such routine be established and frequently it may be recommended that the bank secure the services of public accountants for audit of their records and verification of assets and liabilities."

Bank audits cannot be made by the supervisory agencies because of the cost and time which they would involve, Mr. Cocke explains. "Unless a bank has an adequate internal audit routine, it should be subject to annual audit by public accountants," Mr. Cocke believes. Not only bank management but bank stockholders have a role to play in this matter. Mr. Cocke, who for many years served the Fulton National Bank of Atlanta as president and chief executive officer, explains the stockholders' role thus:

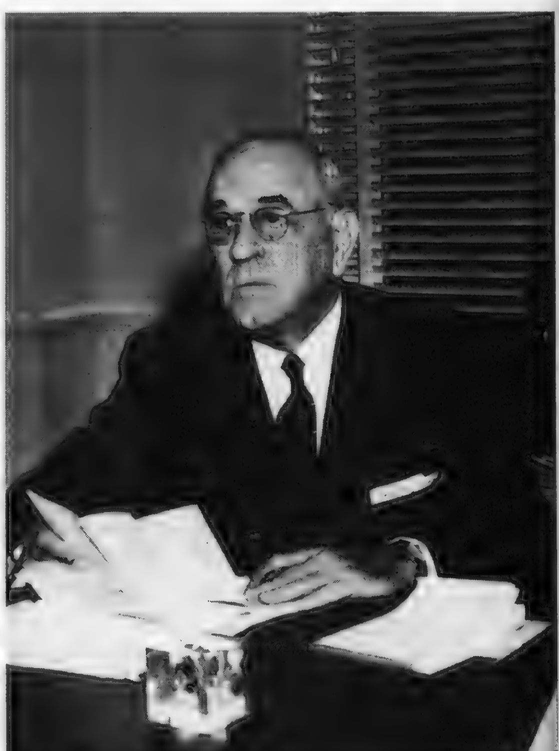
The Directors' Job

"Bank stockholders will find it difficult to make progress in curbing bank mismanagement and defalcations except for their powers to elect competent boards of directors to manage and direct the affairs and operations of the institutions. The directors who are selected for this important management job should define the policies of the bank and direct the officers of the bank to carry out the policies. The directors should also be continuously alert to their responsibilities, which include making sure that the officers of the bank are carrying out the defined policies and conducting the affairs of the institution in a sound manner, with due regard to governing laws and regulations and particular regard for the safety of depositors' funds."

Few Calls on FDIC

While some banks are not doing all that they should to provide maximum soundness, the discovery of a few sensational defalcations should not be the basis of concern over the soundness of the banking system. "It can be said that the great majority of banks are soundly managed, properly regulated, and operating in the best interest of the public," Mr. Cocke holds. "Naturally, the minority who stray from the paths of sound man-

(Continued on page 116)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Chairman Cocke at his desk in the FDIC's offices, Washington

WORLD BUSINESS

PAYMENTS DEFICIT continues to dominate our world trade; gold losses cast their shadow on Kennedy Administration's domestic policies, including Treasury financing. Our international deficit in 1960, $3.8-billion, was only $0.1-billion less than in 1959. Gold outflow continues. Under the Eisenhower arrangement with Britain, still in effect, U.S. official gold goes to hoarders in London.

MILITARY DEPENDENTS. *Pres. Kennedy has rescinded Eisenhower dollar-saving order to bring families home. Too many votes among dependents. But U.S. continues to seek economies in other directions. Liberal practices of many years are hard to shake off. Germany, now on "easy street" with our help, offers limited cooperation "with strings": U.S. to assume obligations Germany accepted after the war.*

MANY RESTRICTIONS beyond tariffs hit U.S. trade abroad; 5-page list issued by Commerce Department shows a big negotiating job still to be done. National Foreign Trade Council predicts another payments deficit ($1.9-billion) in 1961, the fourth in a row. Sen. Proxmire seeks hearings on the gold loss. Of two task reports to Kennedy on payments deficit by Ball and Sproul committees, only the second has been released thus far.

MERCHANDISE TRADE BALANCE *is favorable, officials stress. But H. B. McCoy of Trade Relations Council says this is doubtful, allowing for $195,000,000 ICA-financed, $1.3-billion sold for soft currencies (PL 480) and $1.2-billion military shipments. Anent GATT negotiations in Geneva, McCoy sees us now offering concessions for reciprocal benefits payable in five years, if then.*

MULTI-CURRENCY 5¾% 1978 Portuguese oil company bonds sold in January in five European countries were big success. Some went to Americans. The bonds, paid for in any of six currencies, are redeemable—interest and principal—at holder's option in any of 17 currencies: a modified form of gold clause.

VARIABLE EXCHANGE RATES *instead of fixed link to gold would greatly simplify dollar's problems, writes Harvard Prof. G. Haberler in* Lloyd's Bank Review *(London). Some leading bankers—David Rockefeller, Earl B. Schwulst, and others—would abolish Fed's "archaic 25% gold reserve."*

AMERICAN SHIPS benefit from new dollar-supporting policy to pay aid shipment costs only where U.S. bottoms are used. Japan strongly protests being forced to subsidize U.S. shipping on goods it buys with its funds.

IN AUSTRALIA, AS IN CANADA. *American investments are under fire. Labor Party leader A. A. Calwell says General Motors "behaved disgracefully" in buying up all Australian-held shares in its subsidiary. He says undue part of local income is being drained away in dividends to foreign (U.S.) owners.*

COMMERCE SECRETARY HODGES, from textile-producing N.C., says he's neither protectionist nor free trader; favors "expanding trade both ways."

AMERICAN DEPOSITARY RECEIPTS *for shares of 16 Japanese firms have been OK'd by Japanese Government. Four big U.S. banks are in the deal.*

UNIVERSAL KREDIT BANK in Germany has been established by CIT and American Express. Brings instalment financing to German manufacturers and may be available for imported equipment later.

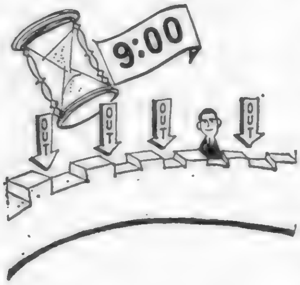
FOREIGN SUBSIDIARIES *of insurance and finance companies are first targets of U.S. tax-loopholes and payments-balancing drive. Internal Revenue Service assumes tax avoidance, unless a clear business purpose justifies a foreign subsidiary's establishment.*

EXIMBANK REVAMPED. Chairman is New Yorker Harold F. Linder, member NYSE and General American Investors. Board members Blowers and Arey, replaced by Charles M. Merriweather, Alabama politician, and Kansas ex-Governor George Docking, ex-president, First National Bank, Lawrence.

MERGER OF U.S. LENDING AGENCIES *is persistently rumored. Will Eximbank and soft Development Loan Fund be wedded? EIB and DLF already collaborate on some loan projects. Exporters' Congressional spokesmen strongly support EIB.*

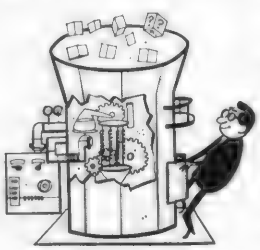
A New Aid for Bankers:

INSTANT EXPERIENCE

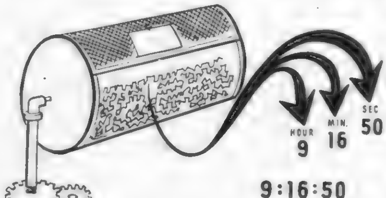


There are times when one teller is too many, and when five tellers aren't enough. Experience can provide the solution and electronics can provide the experience. Here's how it works.

DID you know that electronic computers can now provide banking experience—and at a fraction of the time and trouble usually expended? This was clearly demonstrated by the NABAC Research Institute as it cut a day's operations in a savings department to 25 minutes on a computer. The bankers could put known factors in the machine, such as expected volume and number of tellers. To these the computer applied a formula that produced a traffic pattern.

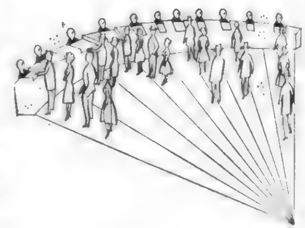


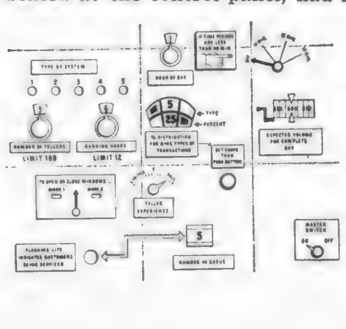
The basic data came from a study of operations in a cross-section of banks. From these, different customer types were established—like the little old lady, the young businessman, and just plain Joe Public. Also discovered was the relative proportion of each type in the course of an average day. What was not known was when these customers might enter the bank, exactly what kind of transaction each one had in mind, and the amount of time required to serve that particular customer. Here's where the computer took over. The first thing it did was to apply a formula that set the arrival time of each customer. A definite time was assigned (by hour, minute, and second) so as to form the typical pattern of peak and slow periods.



In effect, the computer mixed up all the types of customers and then, as in a raffle, drew them one at a time and assigned arrival times to each. In a few moments it produced an entire day's traffic pattern. After this it determined the particular transaction for each customer, and the time required by the teller to complete it. The computer again drew people at random assigning them transactions plus the time needed to serve them. The times varied to follow the pattern of real experience. For example, it provided time for the housewife who had a bagful of loose dimes she had been saving over the years and now wanted to deposit to her account. It allowed for the man who mislaid his passbook and the teller who spent another minute answering a customer's question.

Finally, like a high-speed movie projector, the computer unfolded the day's activities in the bank as people raced in and out, lines formed, and tellers were put on or taken off according to the program set by bank management. Through it all a detailed record was kept by the computer showing the idle or waiting time of customers and tellers plus other important information. This printed record clearly showed how well the banker, seated at the control panel, had solved the problems as they arose. A glance at the control panel shows how management decisions are introduced and the stream of activity reported back. While this is designed for savings department problems, it can also serve other areas.





A Banker Goes Calling

A corporate treasurer, speaking from the customer's side of the desk, calls attention to some bad habits of bank callers: the "banking grapevine," the too-early call, going over the treasurer's head, the bank man who's poorly informed about his own business, the representative whose call has no specific purpose.

SEVERAL annoying, bothersome habits of banks' salesmen—with suggestions for correcting them—were frankly set forth by Donald MacArthur, treasurer of Sears, Roebuck & Company, in a talk to an Illinois Bankers Association group. "When My Banker Comes to Call" was his subject, and his aim was to stimulate "a reexamination of some important techniques of selling the banking product," particularly in areas where improvement is possible.

Here's the "bad habit most annoying and disturbing to the customer," in Mr. MacArthur's opinion: Not infrequently "conversations that were intended to be between the parties involved are found to be quite freely bandied about in banking circles. As a matter of fact the bank grapevine excels any I know of in efficiency. . . The practice has always amazed me a bit because it seems to be akin to a salesman giving his customer list to his principal competitor."

ANOTHER habit: "One of our good, well-meaning banker friends makes an appointment and then finds that his previous appointment has been canceled or shortened, so why not call on the next customer earlier than scheduled. Result for the customer: either an embarrassing chair-warming period for the banker or a rescheduling of the day's work. It is unwise to appear too far in advance of a scheduled appointment; the early bird sometimes makes the worm nervous."

A practice that causes more needless trouble for the corporate treasurer than perhaps any other: the banker's habit of "deviating from channels to go over the head of the treasurer with problems or requests relating to his department. More confusion, unhappiness, and misunderstandings for the treasurer come from the attempt of the high level banker to get into the act than any other single banking practice. Every good salesman has learned from bitter experience the unhappy consequences of going over the head of the buyer. Keep your selling 'low down.' "

Another point: know your product. "It is not uncommon for banks to send out representatives who frankly state that they are poorly informed about the technicalities of the banking business. Well, this is one way to sell a product, but we can all agree that it isn't a very good one."

MR. MacArthur advised: "Try to have a constructive purpose for each call, such as bringing the customer's attention to some new or changed service, or some way in which the customer's banking costs can be reduced. Try to avoid calls that are purely social. Try to combine a specific purpose with your call. Maybe the customer doesn't buy, but he will greatly respect you.

"The bank salesman who is well informed about the techniques of his business, who is imbued with the spirit of helpfulness, who directs that spirit with a concern toward enlarging the scope of the services performed by the bank for the customer, and who in consequence abandons the search for float-building arrangements, will find that there is an uncommon welcome for him. Moreover, I'm certain that the treasurer's grapevine will move into the operation quite promptly and that a good man will find he has been recommended to other treasurers."

Mr. MacArthur spoke at IBA's 9th annual public relations and business development conference.

Here's news from a new field.

What's going on in

On-the-Job Services

CREDIT union leaders are reported to be evaluating the competitive situation as it is being approached by banks.

According to Reports, Inc., CUNA is establishing a committee to study the competitive situation and be ready with legislative, organization, and educational programs.

Bank-credit union cooperation is also being called for by CUNA's president. CUNA's official publication has recently carried an article which emphasized that "many credit unions are getting along very well with their bankers."

Credit unions threaten account withdrawal

Not all credit unions and credit union officials are completely cooperative with banks. Whatever the cause, **some credit unions are waving the big stick of large credit union accounts that may be—and in some cases have been—withdrawn from banks that attempt to make on-the-job services installations.**

Take the long-term, not short-term, view

Dr. Lawrence Kreider, secretary of the A.B.A. Committee on Credit Unions, gave this universally applicable admonition to a group of Alabama bankers:

"We can all fully realize that it takes courage to pursue a progressive, long-run policy if such action might endanger a $10,000, $20,000 or $200,000 account.

"However, I firmly believe each of us—particularly those of us who expect to live with the competitive situation 20 years from now—should **carefully consider the fact that bank income gained from credit union deposits is small compared to income forfeited because of saving and consumer loan business lost to credit unions.**

"If commercial banks had obtained 40% of the saving and instalment business lost to credit unions during the last 10 years, the annual *net* profits gained therefrom in 1960 would be *ten times* greater than net profits gained from credit union deposits in banks!"

When considering the modest purposes of credit unions, look at these facts as pointed out by Dr. Kreider:

"Credit union spokesmen expect to reach the $20-billion level before the 1960s are over."

"Credit union membership exceeds 12,000,000 persons. Spokesmen anticipate the number will triple in the next decade."

"Credit union spokesmen anticipate 50% more (credit unions) by 1970! Should this be realized, there probably would be far more credit unions than banking offices before the close of the 1960s!"

Personal loans grew sixfold in 10 years

Personal loans held by credit unions have passed the $2-billion mark and are now at six times their 1950 level.

"If current trends continue, credit unions will hold one of every five dollars owed on personal loans in 1961, compared with only one of every eight in 1950," says Reports, Inc.

CREDIT UNION GROWTH SLOWS IN 1960

Illinois Leads in Number of New Units

ALTHOUGH so many new credit unions were formed in countries other than the United States that their world-wide total number went up last year, almost 100 fewer were formed in this country during 1960 than during 1959.

The U.S. total of 1,033 new credit unions was 97 less than in 1959, says CUNA.

Illinois led all states with a total of 111 new credit unions last year. California was second, with 90; Ohio started 67; Pennsylvania, 66; Michigan, 63; and Texas, 58.

The worldwide total is now 27,486.

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The National **Shawmut Bank** *of Boston*

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About Those U.S. Investors

CHARLES M. SHORT

IN PREVIOUS issues of BANKING the writer forecast an economic storm over Canadian-American relationships consequent upon discussions on heavy investments in Canada by United States interests which, according to some journalists and financial authorities, meant American domination of business north of the border. These discussions have shed more heat than light on the matter even in the frigid atmosphere of recent climatic conditions. It seems essential to bring to light certain little-known facts if only to put cause and effect in their proper places.

Unquestionably American investment in Canada in the past decade culminated in American control over a large part of Canadian mineral and industrial enterprises. Unquestionably, also, some American interests have made mistakes, as British and European interests have made, in believing that they could conduct their Canadian enterprises by remote control without taking into account the singular characteristics of many Canadian people. But to tar all foreign investors in Canada with the same brush, as has often been done, is one of the biggest mistakes of all.

Couldn't Do It Alone

Canada has undergone in the past decade one of the most tremendous developments of resources ever to be recorded in world economy, far beyond its own financial and technological facilities. In the 1950s over $60-billion went into economic development of this country in many forms of production and trade, as well as in public works and housing. It raised Canadian living standards to the highest of all time, close to those of the American public.

At least 60% of this huge investment was financed within Canada, notwithstanding such limitations on venture capital projects as those in the Province of Quebec, where the French population adhered to investments in real estate, holding of currency, and high-grade bonds, much of these locked up in safety deposit boxes. Few of the great mineral and industrial ventures in that Province were financed in Montreal, so most of the required capital was raised in New York and Toronto.

Heavy taxation in Canada by all forms of government restricts capital investment by the Canadian public, for this taxation as a whole accounts for more than 20% of the total value of national production. Social walfare payments by all authorities alone exceed $2-billion, more than is spent for national defense.

These Costly Projects . . .

In these circumstances not enough savings could be mobilized in Canada for the development of massive and extremely costly projects in remote regions. For example: the opening up of the vast petroleum fields in Western Canada and building over 10,000 miles of oil and natural gas pipelines; the construction of one of the world's largest aluminum smelters in a mountain fastness of British Columbia; and the development of the huge iron deposits on the Canadian side of Lake Superior and in the Quebec-Labrador area.

. . . Meant Heavy Borrowing

This extensive and costly development goes far to explain why American direct investments nearly tripled in the 1950s, apart from government borrowing in the United States, mainly by some provincial, municipal, and public utility authorities. Such direct investments rose to over $10-billion, which provided jobs for nearly 700,000 Canadians who earned over $2.5-billion in 1959. Total earnings by all U.S.-owned companies in 1959 exceeded $700,000,000, but well over half of this was reinvested in Canadian subsidiaries.

It might be noted that the largest American investment is in manufacturing enterprises. These include about 100 original Canadian companies which were sold out to United States interests for various reasons such as death of principals, poor management, or capital shortages.

Presenting a supplementary national budget shortly before the New Year, Canada's Minister of Finance advanced several measures to encourage more Canadian investment in this country. Some minor tax concessions were advocated to stimulate domestic investment in secondary industries, particularly in depressed areas. But the major move was to raise the withholding (income) tax on a wide range of Canadian interest and dividend payments abroad to 15% as compared with 5% or less.

Incentives Not Needed

The Minister correctly stated that the lower taxes were established in 1933 to attract foreign capital during the depths of depression and that such an incentive had not since been necessary. Both he and the Prime Minister have emphasized and re-emphasized that this move was not intended as anti-American, and both they and other leading public and financial authorities have stressed the continued need of American capital for further economic development.

Whether this need will be met only the future can determine. However, the first effects were to reduce the premium on the Canadian dollar in the United States, to automatically lower the price of Canadian exports, and to raise in the same degree the cost of imports. These effects should help Canada's external trade and give some relief to domestic industries which have been hurt by foreign competition.

New Light on Canada and the Yankee Dollar

One quarter of all Canadian industry is controlled by Americans. Is Uncle Sam reshaping the Canadian economy in his own image?

For years Canada has been known to American bankers as a place where the Mountie always got his man and a Yankee dollar could always find a welcome. But today, while the Mountie continues to get his man, the Yankee dollar may be asked to stay at home.

More and more Canadians in higher and higher places are chafing over the fact that no other advanced country has ever had so much of its industry controlled by residents of a single foreign country. They point out that one quarter of all Canadian industry is controlled in the United States. In manufacturing the proportion is approximately one-half, and in the primary mineral resources industries, U. S. ownership is close to two-thirds of the total.

Are most Canadian complaints justified? Generally no, says a report just completed by the Canadian-American Committee, which was formed to bolster relations between the two countries.

The study found that in certain respects the criticism which some Canadians make of U. S. business firms in Canada is unreasonable. Often it involves sweeping generalizations based on the alleged actions of a few companies. Sometimes it calls for policy changes which it would be unrealistic to expect of any business.

As far back as 1957 the Royal Commission on Canada's Economic Prospects set some standards that evidently have gone unheeded by some companies. The Commission asked that companies employ Canadians in senior management and technical positions, that they retain Canadian engineering and other professional and service personnel, and that they do their purchasing locally.

The Commission also stated that foreign companies in Canada should publish full details concerning their operations. It proposed that these companies appoint Canadians to their boards, and that they sell about 25% of their equity stock to Canadians.

When the authors of the current study interviewed 150 business officials in Canada, they found that the same factors mentioned by the Royal Commission were still causing most of the irritation.

Taking the complaints one by one, the report's authors found that in many cases there are sound reasons for a firm to avoid issuing equity shares in subsidiaries to the Canadian public. They also found no connection between Canadian equity in a company and its autonomy from the parent company.

To say that top company jobs don't go to Canadians is "categorically" untrue, according to the report. It added that ". . . there is discernible preference for Canadians to fill the jobs available." The researchers could find no relationship between the nationality of the personnel and a company's "Canadianization."

They did find, however, that more Canadians should be appointed to the boards of directors of some companies.

In answer to the request of Canadians that firms publish more financial data, the writers feel that laws could be passed requiring such information. They found no strong opposition against publishing such financial data among the officials that were surveyed.

The management of the foreign controlled firms as well as the locally owned ones usually base their export and purchasing policies on economic factors alone, according to the survey, and not on nationality.

Generally the survey showed that Canadian nationalism, mixed with the unenlightened actions of some companies, was the basis for much of the criticism.

Consumer Credit Introduced in Japan

Along with hillbilly music, ten-gallon hats, and western movies, the Japanese are now in the process of adopting another grand old American custom; namely, buying now and paying later.

Until recently, consumer purchasing has been mostly a case of yen on the barrelhead, but Japanese bankers are now implementing two credit plans that may make cash transactions obsolete.

The first plan, called the credit card system, is being initiated by the Fuji Bank. This plan requires that an applicant for a credit card make a fixed deposit for one year as collateral equal to the amount of credit allowed. Once a month the purchaser is presented with his bill, which he must pay or the amount will be deducted from his account.

Japanese install Dashew credit cards.

The second plan is being sponsored by the Mitsubishi Bank. To secure credit under this plan an applicant not only must make a fixed deposit as collateral, but must open an "ordinary deposit account" as well. Tickets are issued on the ordinary account which may be spent at the participating stores. These tickets are returned by the stores to the banks, where the amount of the tickets are debited against the ordinary account.

Japan's economy is only now reaching full recovery from the war, which makes consumer credit feasible. In addition to this, the present Ikeda Cabinet has promised to raise the standard of living in Japan, which, of course, means an increase in the purchase of durable and nondurable goods.

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DIB-1535

The Most Valuable Tools

in Banking

JAMES R. GREGG, O.D.

EYESIGHT is the most valuable tool in banking. But it is too often a sadly neglected tool. This takes a big toll in efficiency by slowing production and increasing operational costs. Unfortunately, the ideal program for safeguarding eyesight is not practical for all banks.

Such a program would include an analysis of environmental factors affecting seeing, study of visual requirements of each job, and a screening examination to detect those who need further visual care. All of these tasks should be handled by professional personnel.

However, there is much that can be done by informed bankers who are aware of the problems. Here are some tips for protecting and improving the seeing in your bank.

✔ General room illumination is seldom enough for prolonged or detailed banking tasks, so adjustable lamps should be used over most work areas. Critical seeing areas should have at least 20 to 30 foot-candles; that's equivalent to an uncovered 100-watt bulb 3½ to 4 feet away.

A typical "bifocal" problem is faced by the proof machine operator as she reads checks well within arm's length and the tape some 35 inches from her

✔ Glare is as bad as insufficient light. Exposed lights should be shaded and work areas should not face bright windows. There should be no glare source within 45 degrees of the line of sight.

✔ Paperwork which contrasts too much with dark surfaces annoys the eyes. The central working area should never be more than three times brighter than its background. Light-colored surroundings (including desktops) are best to diffuse light throughout the room.

✔ The point of visual demand should be adjustable to a comfortable seeing position. The normal position is centered and downward with the work surface perpendicular to the line of sight. Where fine discrimination is required the working materials should be within arm's reach and well below eye level. Gross tasks (large numbers or letters) can be done farther away, and above eye level if necessary.

✔ It's the steady concentration in a small area that builds up eye fatigue. Brief rest periods are helpful. A variety of work or changing position occasionally also cuts down eye discomfort. Here's a simple eye exercise that can be relaxing: Close the eyes for 10 seconds; blink slowly a dozen times; glance around at the corners of the room for a half a minute.

✔ Eyes that can't perform as they should always give some warning sign. Any of the following may indicate deficient eyesight for close work: headache; inability to concentrate; squinting; tilting the head; holding things too close or too far away; losing the place; too many errors; loss of interest; or just plain slowing down.

✔ "Normal" vision does not necessarily insure high efficiency; it takes more than 20/20 eyesight for banking. Most important is what the eye can do at near distances, say 16 inches to arm's length. The work in a bank usually calls for fast-action eyesight. In most people, seeing and reading can be speeded up and enhanced by special training which may double or triple the speed of reading and comprehension.

Where a wide working area is in use, *all* the surface should be adequately lighted. Avoid sharp contrasts, as between the checks and the desk top

✔ Glasses can be designed to do any specific job, but they may not meet every need. If the individual is to get the finest possible vocational prescription, he should have exact answers about his job needs. These will include heights and distances, how fine the detail, the requirements for side vision, color vision, and depth perception.

The successful fitting of occupational needs depends greatly upon understanding the problems and the acceptance of a solution to them. Where glasses are required, they should follow a lens prescription tailor-made for the individual to meet the seeing demands of banking.

IDEAS AT WORK

The Littlest Customers

THE words on this page are less important than the pictures on the next. If we told you, phrase by phrase, how Carmen, Hoo Gee, Sally, Juan, and 200 other kids in elementary Public School 97 on New York's Lower East Side were entertained at a puppet show by their friend, The Bowery Savings Bank, the finest prose we could muster wouldn't catch the millionth part of a child's smile. Nor would it relay the gay good humor of the professional puppeteer as he unfolded for this microcosm of the nation's school savers the story of a boy whose thrift helped him buy a bike and get a better report card.

You just had to be there. But the next best thing is to see Carmen, Hoo Gee, and the rest of the kindergartners and first graders through the cameraman's viewer.

WE should tell you, before the page is turned, that Bowery cycles puppet shows by Elek Hartman among many Manhattan elementary schools as part of a broad good neighbor program. The deposits collected amount to a split atom in the proverbial bucket. But has anyone ever succeeded in measuring laughter on an adding machine? And will the engineers invent a goodwill computer?

PHOTOGRAPHER Jack Sharin and Puppeteer Hartman are waiting on page 68. Sorry you couldn't have been down there at PS 97 in person and heard Hoo Gee and Carmen laugh when the young hero of the play brought home some academic ratings that left much to be desired. Sorry, too, that you couldn't have shared the moist, happy, spontaneous kisses they implanted after the show on certain adults, including your reporter.

Yes, it was a big afternoon!

JOHN L. COOLEY

The Littlest Customers See "Bicycle Bill" and Get a Closeup of Puppet Magic

Audience reaction at "Bicycle Bill," The Bowery Savings Bank's puppet show, was varied: surprise, amazement, concentration, abandonment to the fun on the stage as a boy and his parents talked about school, and bikes, and marks. When it was over, Mr. Hartman, the puppeteer, invited folks to a closeup of his magic, and one little girl shook young Bill's floppy hand.

The adults—Mrs. Paula Leibowitz, kindergarten teacher in charge of school savings at No. 97, and principal Daniel F. Zeccola—liked the show, too.

Citizens Applaud Bank's Ads Aiding Bus Riders

ADVERTISEMENTS dramatically calling the Cincinnati City Council's attention to the lack of sheltered bus stops proved to be solid public relations for the sponsor, Southern Ohio National Bank.

On the sound theory that a banker should concern himself with community affairs at all levels, President G. Andrews Espy decided that if no one else would request sheltered loading platforms for the riders, he would. So he called in the bank's ad agency, Leonard M. Sive and Associates, Inc., and directed that the problem be brought forcefully to the city fathers' attention.

The result was the 7-column ad you see here. It ran in both metropolitan papers—by good fortune at the start of a heavy snow and cold spell. Many telephone calls, letters, and comments said: *"Good for you, bank!"* A reprint of the ad was inserted in the next mailing of statements; it was also displayed in the main office and branches.

The chairman of the council's utilities committee wrote Mr. Espy that the problem would be quickly brought to the legislators' attention. Needless to say, radio, TV, and the press gave the story good coverage.

To keep the subject alive and as a further prod for action, Southern Ohio National prepared a second ad headed: "Millions for Expressways . . . Snow and Slush for Bus Riders!"

Readers were invited to fill out a coupon in the ad. Addressed to Mr. Espy, it offered the support for the project, and signature was voluntary. A large photo of chilly-looking people boarding a bus topped the copy.

Aren't People As Valuable As Onions?

A letter to the Council of The City of Cincinnati

Dear Councilmen,

The ad was signed "Very truly yours, G. Andrews Espey, president, Southern Ohio National Bank"

Outstanding Customer Service Earns "Bank-of-Month" Award

JENNY OSTROM JACOBSON, *editor of the National City Bank of Cleveland's* News, *reports on a constructive staff relations idea that will interest other banks.*

AT the National City Bank of Cleveland the connotation of the word "service" is "customer" and the "Banker-of-the-Month" program is not only a means of alerting our staff members to the importance of providing every customer with 'top-drawer' service; it also provides staff members with an opportunity to earn extra compensation for effort.

Each month one staff member is presented with a $50 U. S. Savings Bond by the president of our bank. Five honorable mention awards of a $25 bond are also made each month. An annual award of a share of National City Bank stock and an engraved trophy are presented to the man or woman who has consistently shown outstanding effort in customer service. The winners are selected by a "Mystery Customer" whose identity is a carefully guarded secret, and are highlighted in our bank's employee publication, the *National City News*. In addition, a brief story of the 1959 "Banker-of-the-Year" appeared on a dividend notice mailed to all stockholders.

The Mystery Customer began visiting the bank's offices and making telephone calls to main office departments in February 1959. The first banker, a branch teller, was chosen by the M.C. because: "She gave me her undivided attention and explained carefully a transaction with which I needed help. Her warm smile and pleasant conversation made me forget how cold and miserable I was when I entered the office."

The Mystery Customer, in announcing the name of the first "Banker-of-the-Year" (for 1959) said the choice was made "because he consistently practices what he believes . . . that a customer is not an interruption of our work but is the purpose of it and, also, that a customer deserves friendly as well as efficient service every time he or she visits our bank." Specifically, the reasons listed by the M.C. were: "He always welcomes me with a big smile; greets me by name; and performs each service efficiently. Also, I always feel, while he is serving me, that I'm a special person getting special attention and service . . ."

The Mystery Customer's list of items used to determine a winner includes: smile, greeting, name, "thank you," intelligent answers, good grooming, over-all welcome, salesmanship, and interest in customer.

It is no secret that the "Banker" program has alerted the employees to the importance of providing every customer with the best possible service in a friendly and interested manner. We are sure our employees look on this program as one to honor the outstanding employees rather than to spy on the laggards. At first, the efforts of some staff members may have been accelerated by the awards, but we prefer to believe that now it has become a habit—and a good one—for the bank and for the staff members. However, the bank's management has no intention of relaxing its efforts to keep in touch with its employees to ensure that customers are continuing to receive the A plus 1 service every time they visit the bank.

As we said: at National City the connotation of the word "service" is "customer."

1961 Bank Ad Budgets Rise to $180,000,000

Accent Will Be on Savings

—Media Pattern Unchanged

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AMERICA'S commercial banks will spend an estimated $180,000,000 in 1961 to advertise their services. While this is only $8,000,000 more than the amount reported for last year, it represents a continued upward trend, and the largest outlay for advertising in the past 16 years.

This 1961 estimate is $137,000,000 more than the figure reported in the 1951 survey. Almost half of the reporting banks plan to spend more this year than they did in 1960; approximately 38% expect to equal the amount spent last year; while only about 14% say they will spend less.

The accompanying table, showing how much banks plan to spend in proportion to their total deposits, is helpful to the individual bank only as a means of seeing how that bank's advertising investment compares with those of other banks its own size.

Averages, minimums, medians or maximums shown should not be blindly adopted by any given bank. Neither should the formula method of taking a percentage of total deposits, capital funds, or gross operating income. The following quotation from the American Institute of Banking's textbook, *Public Relations for Your Bank,* emphasizes this.

"The percentage method of calculating advertising expense is distinctly not recommended as a yardstick. Obviously, the extent of a bank's advertising program depends on more than fixed formulas. It is also determined by many other significant factors, such as a bank's competition, its market potential, the scope and nature of services offered, and the available advertising media. The most sensible course is to base your appropriation on your proposed program."

Once your advertising program has been planned on a sound basis, the table in this report may be used to prove that some banks spend as much as you may be recommending for your own bank, or even more. Furthermore, there are times when a bank will find it necessary and profitable to spend *more* than the maximum spent by similar-sized banks.

What Is the Most Important Advertising Job for 1961?

According to the emphasis table shown in these pages, which reflects the answers to this question, building deposits is the number one job for bank advertising again this year, with greatest accent on savings. But the need to sell other banking services; the importance of telling the public what it should know about banking; the value of merchandising the bank as the logical place to obtain complete financial service; and the wisdom of demonstrating the part that banks play in the economy of the nation—all these were not overlocked in the detailed comments of the bankers who responded to the questionnaire. In their own words, here are typical answers:

To Build Savings

"Enlighten the public regarding the advantages of keeping personal savings in a local bank where reserves are adequate, the money available when needed, and the local community has the benefit of its use."

1961 Advertising Expenditures, All Commercial Banks in the U.S.

Deposits	*Number of Banks Contacted*	*Number Questionnaires Returned*	*Maximum 1961 Expenditure (for banks listing same)*	*1961 Average Expenditure (for banks listing same)*	*1960*	*1957*	*1954*	*1951*	*1948*
Under $1-mil.	1,533	190	$6,500	$635	$710	$539	$419	$485	$385
$1-to under 5-mil.	7,438	1,601	15,000	2,071	1,937	1,633	1,297	1,025	900
$5-to under $10-mil.	2,062	767	35,000	5,579	5,225	4,468	3,749	2,710	2,265
$10-to under $25-mil.	1,588	582	60,000	12,287	11,717	10,314	8,164	6,335	4,765
$25-to under $75-mil.	595	238	90,000	31,331	30,690	25,448	21,248	15,945	12,835
Over $75-mil.	355	158	over 2,500,000	315,605	275,828	134,879	95,990	67,520	64,120
TOTALS	13,571	3,536							

1,481 banks plan to spend MORE in 1961 (48.66%)
420 " " " " LESS " " (13.81%)
1,142 " " " " SAME " " (37.53%)
3,043 banks answering this question.

Based on this survey, the Advertising Department estimates total advertising expenditures for *all commercial banks in U. S.* for 1961 to be about $180,000,000.

Emphasis Table

Figures given indicate total number of banks which will give first, second or third emphasis to that particular service

1961 Service	*Number of Mentions*	*POSITION* 1961	1960	1959	1958	1957	1956	1955	1954
Saving	2,467	1	1	1	1	1	1	1	1
Regular checking	2,216	2	2	2	2	2	2	2	2
Auto loans	1,345	3	3	3	3	3	3	3	3
Personal loans	503	4	4	4	5	5	5	4	4
Bank-by-mail	463	5	5	5	4	4	4	7	5
Institutional	427	6	6	8	6	11	9	9	11
Special checking	344	7	7	10	7	6	10	12	9
Repair loans	311	8	9	9	9	9	8	8	8
Farm production loans	304	9	8	6	8	8	6	6	7
Drive-in	278	10	11	12	12	15	—	—	—
Mortgage loans	246	11	10	7	10	10	7	5	6
Safe deposit	243	12	12	11	11	7	11	10	10
Trust service	163	13	13	14	13	14	14	15	15
Business loans	120	14	14	15	15	12	13	13	12
Farm equipment loans	109	15	15	13	14	13	12	11	13
Free parking	97	16	17	17	18	18	—	—	—
Home appliance loans	92	17	16	16	16	16	15	14	14
Educational	72	18	18	18	17	20	17	17	17
Night depository	62	19	19	19	20	19	—	—	—
Life insurance loans	35	20	20	20	19	17	16	16	16
Correspondent banking	14	21	21	22	21	21	—	—	—

"Emphasize the advantages of bank savings over other forms of saving."

"Point out the liquidity of bank deposits contrasted with competitive groups for the savings dollar."

"Stress the idea of having a savings account where you have your checking account."

"Impress upon the public that the bank is the best place to save."

"Promote banking—forget about savings and loans."

"Develop and use effective advertising to overcome competition of credit unions and savings and loans."

"Promote this theme: 'Save where you bank.'"

"Do more positive selling rather than negative as some banks are doing."

To Sell Other Services

"Sell the idea of using more than one or two banking services."

"Sell the department store concept of commercial banks, thus combatting competition."

"Make the advantages of using a full-service bank known to the general public."

"Convince the individual that the bank has the answer to all his financial problems."

"Show savers the benefits of establishing sound credit at a bank."

"Encourage non-bank customers to become bank customers and present bank customers to use more of the bank's services."

To Inform the Public

"We must put across to the public the necessity of a sound monetary system. We must try to make people understand why fluctuating interest rates and credit restrictions are necessary if money is to remain sound and inflation avoided."

"Educate small loan users as to the proper use of credit."

"Sell Mr. and Mrs. America on the importance of our banking system to the economy of our country, and the effort that is being made to foster economic growth without inflation."

"Stress the importance of banks to our nation's economy, and make known the diversification of banks' services compared to other financial institutions."

"Promote thrift with emphasis on balanced budget in government affairs at all levels, and the importance of individuals living within their income."

"Inform people that commerce and industry, which create jobs, depend on commercial banks, thus money deposited in commercial banks does a job that money kept elsewhere does not do."

"Show in concise, simple manner the important part banks are playing in helping to promote healthy growth in community and nation."

"Emphasize the things banks can do for the customer that other financial institutions cannot do."

"Sell banking as the community's best friend."

On-the-Job Bank Services

Two questions were included in this year's survey relative to on-the-job bank services through which banks and employers cooperate to make bank services more readily accessible to employees in offices, shops, factories, and other business establishments. Almost 200 banks indicated that they had adopted such plans and had them in operation. More than 200 more said that they plan to inaugurate on-the-job programs in 1961. (The A.B.A. Advertising Department has developed an attractive poster and display rack suitable for use in connection with this plan, as well as on-the-job banking folders for distribution in plants and offices.)

Where Banks Will Advertise

For the past three years there has been no change whatever in the order of the top 11 media that banks taking part in these surveys said they would use. Here are the number of mentions for each medium listed this year:

Media	*Number of Banks Reporting*
Newspapers	3,080
Posters (lobby and window)	2,827
Direct advertising (folders, inserts, booklets)	2,290
Calendars	2,239
Radio	1,676
Specialties	1,601
Outdoor billboards	1,049
Movie trailers	527
Television	393
Magazines	173
Bus and car cards	160

All media show slight increases in the number of banks using each, except magazines and bus and car cards which are about the same as last year.

A Word of Appreciation

This 16th annual advertising survey, made by mail, brought responses from 3,536 commercial banks or 26% of the A.B.A. membership—the largest number of returns in the last three years. It is a representative sampling, including banks of all sizes, and reflects the national picture of bank advertising. The staff members of the A.B.A. Advertising Department extend their thanks to all who cooperated in this project.

1961 BREAKDOWN OF ADVERTISING

DEPOSITS	NUMBER REPLIES LISTING EXPEND.	AMOUNT SPENT	AVERAGE EACH BANK	RANGE OF EXPENDITURES	DETAIL OF RANGE
Under $1-million	137	$ 87,035	$ 635	$100 to $6,500	2 banks $100; 13 banks $150 to $200; 11 banks $250; 24 banks $260 to $350; 17 banks $360 to $480; 16 banks $500; 18 banks $550 to $700; 9 banks $750 to $900; 11 banks $1,000; 11 banks $1,100 to $1,600; 3 banks $2,000; 1 bank $4,000; 1 bank $6,500.
$1-to $2-million	434	473,690	1,091	$50 to $10,000	1 bank $50; 5 banks $100; 26 banks $110 to $250; 18 banks $300; 26 banks $350 to $450; 43 banks $500; 60 banks $575 to $700; 22 banks $750; 36 banks $800 to $950; 57 banks $1,000; 32 banks $1,100 to $1,300; 28 banks $1,500; 45 banks $1,550 to $2,400; 12 banks $2,500; 17 banks $2,600 to $3,600; 5 banks $6,000; 1 bank $10,000.
$2-to $3-million	375	664,520	1,772	$120 to $8,400	23 banks under $500; 20 banks $500; 25 banks $600 to $750; 24 banks $800 to $900; 45 banks $1,000; 42 banks $1,060 to $1,400; 43 banks $1,500; 20 banks $1,600 to $1,800; 47 banks $2,000 to $2,400; 26 banks $2,500; 30 banks $2,600 to $3,500; 13 banks $3,600 to $4,700; 5 banks $5,000; 8 banks $5,600 to $7,500; 3 banks $8,000; 1 bank $8,400.
$3-to $4-million	336	888,060	2,643	$150 to $15,000	6 banks under $500; 10 banks $500; 24 banks $525 to $900; 21 banks $1,000; 67 banks $1,100 to $1,500; 54 banks $1,575 to $2,400; 31 banks $2,500; 31 banks $2,600 to $3,400; 51 banks $3,500 to $4,700; 14 banks $5,000; 14 banks $5,200 to $6,500; 6 banks $7,000 to $8,400; 5 banks $10,000; 1 bank $12,000; 1 bank $15,000.
$4-to $5-million	267	898,050	3,364	$400 to $15,000	12 banks under $1,000; 16 banks $1,000; 36 banks $1,200 to $1,900; 26 banks $2,000 to $2,400; 29 banks $2,500; 53 banks $2,700 to $3,500; 38 banks $3,600 to $4,800; 20 banks $5,000; 23 banks $5,500 to $7,000; 6 banks $7,500 to $8,500; 5 banks $10,000; 2 banks $12,000; 1 bank $15,000.
$5-to $6-million	204	819,800	4,018	$500 to $20,000	32 banks under $2,000; 22 banks $2,000 to $2,400; 16 banks $2,500; 38 banks $2,600 to $3,500; 36 banks $3,600 to $4,800; 22 banks $5,000; 20 banks $5,500 to $7,500; 7 banks $7,700 to $9,000; 4 banks $10,000; 3 banks $12,000; 1 bank $13,000; 1 bank $15,000; 1 bank $18,000; 1 bank $20,000.
$6-to $7-million	175	954,700	5,455	$600 to $25,000	23 banks under $2,500; 9 banks $2,500; 52 banks $2,700 to $4,800; 22 banks $5,000; 27 banks $5,200 to $7,000; 9 banks $7,500; 14 banks $8,000 to $9,600; 9 banks $10,000; 8 banks $11,500 to $15,000; 1 bank $20,000; 1 bank $25,000.
$7-to $8-million	148	829,100	5,602	$500 to $15,000	21 banks under $2,500; 7 banks $2,500; 36 banks $3,000 to $4,800; 16 banks $5,000; 33 banks $5,400 to $7,000; 17 banks $8,000 to $9,500; 8 banks $10,000; 7 banks $11,500 to $14,000; 3 banks $15,000.
$8-to $9-million	106	791,100	7,463	$800 to $35,000	8 banks under $2,500; 27 banks $3,000 to $4,700; 8 banks $5,000; 21 banks $5,500 to $7,000; 17 banks $8,000 to $9,500; 8 banks $10,000; 11 banks $11,000 to $18,000; 3 banks $20,000; 1 bank $22,000; 1 bank $25,000; 1 bank $35,000.
$9-to $10-million	86	616,600	7,170	$300 to $19,000	9 banks under $2,500; 17 banks $2,500 to $4,500; 9 banks $5,000; 14 banks $5,200 to $7,500; 16 banks $8,000 to $9,500; 6 banks $10,000; 11 banks $12,000 to $15,000; 1 bank $16,000; 1 bank $17,000; 1 bank $18,000; 1 bank $19,000.

OUTLAY FOR BANKS REPORTING (EXCLUDING SALARIES)

DEPOSITS	NUMBER REPLIES LISTING EXPEND.	AMOUNT SPENT	AVERAGE EACH BANK	RANGE OF EXPENDITURES	DETAIL OF RANGE
$10-to $15-million	321	$ 3,143,850	$ 9,794	$1,000 to $40,000	17 banks under $3,500; 23 banks $3,600 to $4,800; 28 banks $5,000; 45 banks $5,200 to $7,500; 58 banks $7,850 to $9,600; 30 banks $10,000; 64 banks $11,000 to $14,500; 47 banks $15,000 to $21,000; 5 banks $25,000; 2 banks $30,000; 1 bank $35,000; 1 bank $40,000.
$15-to $20-million	158	2,152,650	13,625	$2,000 to $50,000	12 banks under $5,000; 40 banks $5,500 to $9,250; 18 banks $10,000; 31 banks $10,800 to $14,500; 28 banks $15,000 to $19,000; 16 banks $20,000 to $25,000; 7 banks $26,000 to $30,000; 3 banks $35,000; 1 bank $36,000; 2 banks $50,000.
$20-to $25-million	84	1,621,250	19,301	$3,000 to $60,000	3 banks to $5,000; 12 banks $6,000 to $10,000; 20 banks $12,000 to $15,000; 17 banks $16,000 to $20,000; 13 banks $21,000 to $24,000; 5 banks $25,000; 11 banks $26,000 to $35,000; 1 bank $45,000; 1 bank $55,000; 1 bank $60,000.
$25-to $50-million	190	5,224,725	27,499	$6,000 to $70,000	7 banks $6,000 to $9,000; 14 banks $10,000 to $14,000; 30 banks $15,000 to $18,000; 27 banks $20,000 to $24,000; 19 banks $25,000; 44 banks $25,500 to $34,000; 38 banks $35,000 to $45,200; 5 banks $50,000; 1 bank $55,000; 2 banks $60,000; 3 banks $70,000.
$50-to $75-million	42	2,044,000	48,666	$10,000 to $90,000	4 banks under $25,000; 6 banks $28,000 to $35,000; 9 banks $36,000 to $45,000; 6 banks $50,000; 11 banks $52,000 to $69,000; 3 banks $70,000 to $75,000; 1 bank $80,000; 1 bank $85,000; 1 bank $90,000.
$75-to $100-million	32	2,142,670	66,958	$25,000 to $125,000	1 bank $25,000; 5 banks $30,000 to $46,500; 2 banks $50,000; 10 banks $55,000 to $60,000; 10 banks $67,000 to $90,000; 2 banks $100,000; 1 bank $118,500; 1 bank $125,000.
$100-to $200-million	40	4,119,500	102,988	$30,000 to $250,000	4 banks to $48,000; 9 banks $60,000 to $75,000; 7 banks $78,000 to $90,000; 1 bank $100,000; 9 banks $102,500 to $125,000; 4 banks $127,000 to $140,000; 1 bank $150,000; 1 bank $160,000; 3 banks $175,000; 1 bank $250,000.
$200-to $300-million	21	3,438,500	163,738	$60,000 to $410,000	3 banks under $100,000; 2 banks $100,000; 5 banks $120,000 to $150,000; 5 banks $170,000 to $190,000; 3 banks $200,000; 1 bank $225,000; 1 bank $230,000; 1 bank $410,000.
$300-to $400-million	6	1,030,000	171,667	$80,000 to $240,000	1 bank $80,000; 1 bank $110,000; 1 bank $180,000; 1 bank $195,000; 1 bank $225,000; 1 bank $240,000.
$400-to $500-million	9	2,715,000	301,667	$140,000 to $450,000	1 bank $140,000; 2 banks $225,000; 1 bank $275,000; 2 banks $300,000; 2 banks $400,000; 1 bank $450,000.
$500-million and over	33	31,370,000	950,606	$100,000 to over $2,500,000	5 banks $100,000 to $270,000; 10 banks $300,000 to $450,000; 3 banks $500,000; 7 banks $525,000 to $875,000; 5 banks $1,300,000 to $1,884,000; 3 banks over $2,500,000.

Based on this survey, the Advertising Department estimates total advertising expenditures for ALL COMMERCIAL BANKS IN U. S. for 1961 to be about $180,000,000.

Industries Photoed from Bank's 'Copter

HERE's a good idea, but you'll need air transportation to use it.

First Wisconsin National Bank of Milwaukee, as you may know, has a helicopter. The pilot, Bob Roth, flies an experienced aerial photographer over plants and offices of the bank's corporate customers, and interesting, unusual pictures are taken. Large, well-mounted copies go to the customers.

More than 70 of these portraits of businesses have been made, and the bank plans more. Officers who call on customers to present the photos report an enthusiastic reception; the prints are being displayed in reception lobbies and executive offices.

Several companies have requested negatives so that they can reproduce the views in their annual reports and promotional material.

Brick-Guessing Earns $410 for Secretary

HERE's a contest new to us. American National Bank of San Bernardino, Calif., opened a branch with promotional activities that included guessing the number of bricks used in the building, the winner to get all the coins he could count and wrap in an hour.

December marked the bank's 44th anniversary and an extensive advertising campaign was maintained. At the end of the month an ad invited holders of 1916 pennies to exchange each coin for a dollar—not more than 10 to a person and a total exchange of $1,000. By noon the following day the quota of dollars had been exhausted.

A good guess and quick fingers earned Shirley M. Healy $410 in the brick-guessing contest. Allowed to keep all the money she counted and wrapped in an hour, she discarded the smaller denomination coins in favor of dollars, halves, and quarters

Bank Commissions Gulf Water Study

AS a project to mark its 75th anniversary, Texas National Bank of Houston has commissioned an engineering firm to make a comprehensive survey of water resources on the Texas Gulf Coast.

The study is due for completion June 10, the bank's birthday. It will include reports on drainage areas and average flow of major tributaries near Houston, existing and planned reservoir projects in the area; potential water supplies, the growth of the city's ground water supply; future requirements and the cost of industrial water at the present time and in the future.

The bank, said President J. W. McLean, will use the study later this year as a focal point in a national campaign to attract new industry to the area.

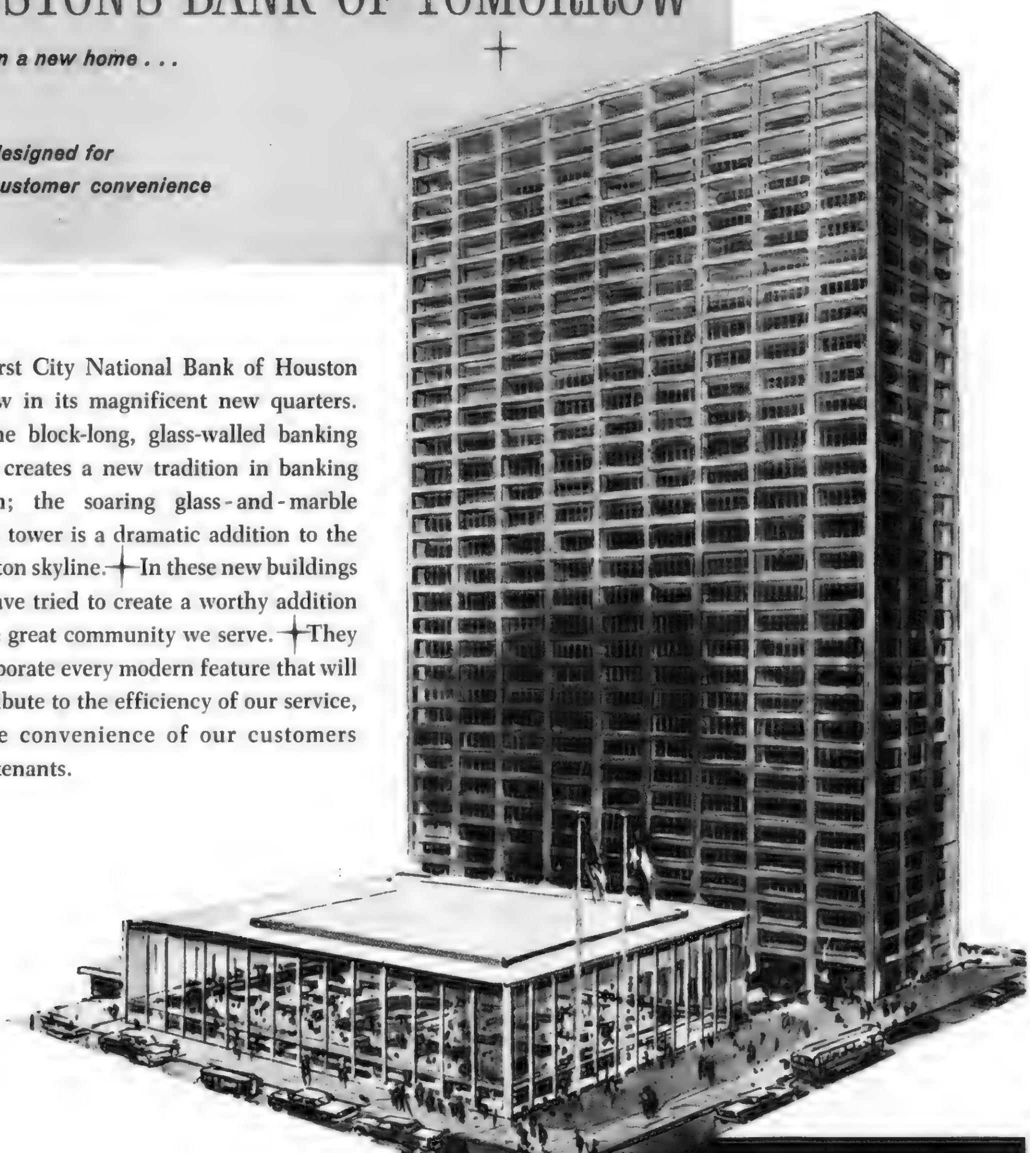
PEOPLE
The Connecticut National Bank, Bridgeport, had an interesting idea in its annual report. Three pages presented "The Human Side of the Balance Sheet," a thumbnail sketch of one employee, "Mr. Smith." The story about him and his activities is based on "a study of the interests, experience, and education of all of our executives—the men and women on whose character, judgment, and spirit the efficiency and growth of the bank depends"

Here is

HOUSTON'S BANK OF TOMORROW

in a new home . . .

designed for customer convenience



First City National Bank of Houston is now in its magnificent new quarters. The block-long, glass-walled banking room creates a new tradition in banking design; the soaring glass-and-marble office tower is a dramatic addition to the Houston skyline. In these new buildings we have tried to create a worthy addition to the great community we serve. They incorporate every modern feature that will contribute to the efficiency of our service, to the convenience of our customers and tenants.

We look forward with pleasure to your visit in our new home.

THE FIRST CITY NATIONAL BANK

of Houston

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION


1871
90
ANNIVERSARY
1961

"The Farm Loan" is the title of the above picture which will appear on the 1962 FFA Calendars

News for Country Bankers

This department is edited by MARY B. LEACH *of* BANKING'S *staff*

FFA Seeks Sponsors for 1962 Calendars

THE official calendar of the Future Farmers of America for the year 1962 is designed as a tribute to banks and other lending institutions serving American agriculture. The cover illustration is reproduced from an original oil painting titled, "The Farm Loan." This painting was prepared exclusively for the FFA by famous artist, Harold Anderson.

The 378,000 members of the Future Farmers of America, as students of vocational agriculture in rural high schools, learn to use credit as a production tool in both their classroom studies and on their supervised farming programs. These experiences with farm finances prove invaluable to them as they grow into full-time ownership or partnership in a farming operation.

This 1962 calendar tribute is in recognition of the enthusiastic support given most of the 8,899 chapters of Future Farmers of America by their local banks and other farm financing institutions. With chapters in all 50 states and with most chapters located in communities having strong agricultural interests, these chapters and their local banks have had a long history of friendly and mutually helpful relations.

The official FFA calendar program provides an unusual opportunity for FFA chapters to cooperate with sponsoring firms in a public relations program. For 1962, with the direct tie-in, the FFA calendar program will be especially effective for banks.

The program is basically a sponsorship program where the bank agrees to sponsor the calendars. Working with the local FFA chapter, the bank purchases a sufficient number of FFA calendars to give as season's greetings to the bank's friends and customers.

The local FFA chapter agrees to assist the sponsor by distributing the calendars. This hand-delivery by the Future Farmers plus the local appeal of FFA activities guarantees the sponsor a very high percentage of calendar hang-up.

Banks interested in this program can obtain more information from their local FFA chapter or from *The National FUTURE FARMER*, Box 29, Alexandria, Va.

—HOWARD R. CARTER

Bank's Farm Credit Clinic Series a Big Success

SOME months ago, the Easton National Bank of Easton, Md., instituted a series of Farm Credit Clinics as another service to agriculture in the community. The first of these meetings was held in the lobby of the bank. A few key farmers from each district and the members of the bank's Agricultural Advisory Board, composed of eight prominent farmers of the community, were personally invited.

The response was so satisfactory that three similar meetings were held in outlying districts of the county, to which the general public was invited. Letters of invitation were sent to the entire farm mailing list of the bank and ads were used in local papers.

The program was divided into four parts, with the president or another executive officer welcoming the group and explaining the purpose of the meeting, pointing out that many peo-

ple do not know about the many services offered by banks and how to benefit from them.

Professor A. B. Hamilton, farm manager specialist of the University of Maryland Extension Service, discussed "Credit in Your Farm Operation." He talked about the types of loans, cost of loans, when to borrow money, when not to borrow money, and gave pointers on how to determine the need for a loan.

Richard L. Clem, of the bank's Agricultural Department, covered "Getting the Most for Your Money," listing the various services offered by a bank, and how the customer can use them to the best advantage.

The final topic of the program was "So You Need a Loan." This was discussed by Rudolph S. Brown, agricultural representative of the bank. He covered such topics as how to apply for a loan, the importance of good records, financial statements, types of loans, endorsements, collateral, etc.

Visual aids were important aspects of the meetings.

CURRENT AGRICULTURAL SITUATION

Agricultural **output** set a new record in 1960 for the third year in a row. Prices received and incomes improved in the last half of the year. Realized net income of farm operators in 1960 is estimated at $11.6-billion, slightly above 1959.

Prospects for increasing **hog** production point to larger pork output the last half of 1961 than a year earlier. A 5% larger spring pig crop is in prospect. Hog slaughter will continue below 1960 until about the middle of the year. Then, slaughter should exceed year-earlier rates. Hog prices will continue well above those of 1960 for several months, holding close to present levels. Prices this summer and fall will likely be below a year earlier but a sharp drop is not anticipated for the last half of 1961.

The number of **cattle** and **calves** on feed January 1, in 26 feeding states, was 6% larger than January 1960. Farmers planned to market 6% more in January-March than last winter. Marketings of grass cattle during this time also are expected to exceed year-earlier levels.

Egg prices of recent months have been high enough to encourage large hatchings of egg-type chicks. Although prices in early January showed a sharp seasonal decline, they remained well above year-ago levels to provide further inducement to poultrymen. In recent months, the hatch has been running well above a year earlier and is expected to continue to do so for the first quarter of 1961.

Supplies of **food fats and oils** for the 1960-61 marketing year stand at 14-billion pounds, slightly below the previous year. Total disappearance should rise slightly, with domestic use reaching a new peak, and exports continuing about the same as last year's record level of about 3.9-billion pounds. Prices are remaining above 1960 levels, with further increases expected during the rest of the marketing year.

Prepared by the U. S. Department of Agriculture

Fruit Harvesting Labor Costs Eliminated

THE editor of *The New Hampshire Sunday News*, Fred E. Beane, accompanied the New Hampshire Bankers Association members to a 1-day Agricultural Credit Conference on the campus of the University of New Hampshire in Durham. Mr. Beane was much impressed by what he heard and saw and gave the bankers a full-page story, with which he used six pictures. Among the interesting aspects of the conference, reported by Mr. Beane, was this account of a research professor:

The professor owns a relatively small apple farm, not large enough to warrant his installing modern cold storage and harvesting equipment. This past fall he bought a yard full of three-quarter bushel fruit baskets and beckoned the public to come in and fill them at $1.50 each for the fruit. They literally stripped his orchard.

In the spring, when his high-bush blueberries were ready to harvest, he advertised that they were available at 50 cents a quart basket, with the basket furnished. Country-loving customers rushed the place and had as much fun as if on a family picnic while carrying out the chore.

This practice, he feels, will grow because it is the solution for a great many small and medium-sized producers.

Automation Reaches into Propagation Recordkeeping

IT was bound to happen eventually: automation has reached the sex life of animals, asserts Stanley A. Dashew, president of Dashew Business Machines, Inc., Los Angeles. He discloses that a middle western cattle breeders association is interested in applying a revolutionary new input printing machine to breeding operations.

The machine, called Printapunch, would keep track of the bulls used in artificial insemination by means of punched plastic cards that identify the bulls, and relate them to other punched plates that correspond to the inseminated cows.

The punched plate identifications are then punched into IBM cards with date of insemination and other breeding facts for permanent records, which can be run through processing machines at any time for quick, accurate check on blood lines and strains.

The Printapunch, which Mr. Dashew said will take all guesswork out of propagation of valuable animals and insure purity of strains in registered cattle or horses, is a newly developed economical and highly accurate input processing machine. It will be used by filling stations for credit card purchase records, by factories for production records, and by various Government agencies for processing of data like social security deposits and disbursals.

Mr. Dashew said the Printapunch literally makes a universal machine language possible in relation to credit or processing data since it can be programed to punch identification or record tabs without regard to language.

Machine symbols readily identifiable by users of the machine can be substituted for words, and local currency signs for dollars and cents, to record financial transactions. The transaction tabs are later fed into

(CONTINUED ON PAGE 133)

Competition from Rural Credit Unions

JOSEPH C. WELMAN, president, Bank of Kennett, Mo., and past president, The American Bankers Association, answers five questions on the credit union situation facing country banks. MR. WELMAN *studied the credit union movement several years and spoke on the subject throughout the nation. For details on programs mentioned in* MR. WELMAN'S *responses, write to the Committee on Credit Unions, American Bankers Association, 12 East 36th Street, New York 16, N. Y.*

Q. Mr. Welman, how important is the rural credit union situation nationally?

A. More than 600 rural community plus cooperative credit unions operate in the United States! Although these account for only 3% of all credit union assets, country banks are not complacent. Rural community plus cooperative credit union membership increased about 300% and assets nearly 800% in the last 10 years! These percentage rates of growth greatly exceeded the average for credit unions in general.

A leading Minnesota banker placed the problem in perspective when he said: ". . . Rural type credit unions are something relatively new to this area. The largest percentage of banks in Minnesota are in 1-bank towns with $3,000,000 or less deposits. They have just recently started really feeling . . . competition from savings and loan associations . . . With rural credit unions now springing up, the situation is . . . becoming vicious, as . . . they are making loans not only to their own members, but in many cases to practically anyone in the area. (Bankers) are now getting up in arms and starting to understand what this type of competition really can do to their bank . . ."

Q. Do rural credit unions do business only with farmers?

A. No. The problem is broader than that. Rural communities are becoming more urban. Even in the 600 most agricultural counties of the nation, farm credit accounts for only one-third of all bank credit. The proportion is declining. Reflecting these trends, rural community credit unions tend to do more and more business with town folks.

Q. How do country banks meet credit union competition?

A. In meeting rural credit union competition, some country banks are employing the same new services as city banks. On-the-job bank services—or in-plant banking as it is sometimes called—is one of these new services. It helps employees obtain convenient bank services without leaving their place of work. Under one type of program, banks place a rack holding the necessary savings, loan, or checking account forms in the place of employment—near the time clock, water cooler, refreshment area or other convenient location. Envelopes for sending each form to the bank are included in the rack.

Under another type of plan, comparable forms are maintained by an employee of the plant, office, or firm. He, in turn, gives material or forms to other employees on request.

One-check payroll services are also desirable for bank customers and help banks compete. They are convenient arrangements whereby payments to employees of plants, offices or firms are credited directly to respective bank accounts on or before payday by mutual consent of employer, employee, and bank.

(EDITOR'S NOTE: For descriptions of these relatively new programs in operation, see August 1960 BANKING, page 90; December 1960, page 62; and January 1961, page 58.)

Other services are now being initiated and still others are being studied for use at later dates. All are convenient and helpful to retail bank customers.

Q. Does this suggest that country banks are faced with the same competitive situation as city banks?

A. No, not exactly. Country banks cannot rely as heavily on on-the-job services or 1-check payroll services as can larger banks which typically serve larger businesses. Other practices, most of them not new to progressive country bankers, are emphasized. Members of the Advisory Committee to the A.B.A. Instalment Credit Committee were asked: "What can banking do to meet competition from community type, rural credit unions?" They most frequently mentioned the following:

(1) Provide good services—especially consumer credit and savings. Offer ". . . complete banking services to the family group . . . ," provide ". . . an efficient, attractive and readily available instalment department . . . ," and ". . . where possible establish . . . on-the-job services and one-check payroll services . . ."

(2) Have an alert public relations and advertising program. "There are just too many banks that . . . apparently do not realize the importance the average citizen plays in the

(CONTINUED ON PAGE 82)

"You're going to get your teeth fixed with your allowance money? That's just like you—always thinking of your own pleasure!"

Watershed Development Restores Community Prosperity

"The project has brought our rural and city people together—it has made us realize how inter-dependent we are."—Giles H. Miller, Jr.

LESTER FOX

MR. FOX *is attached to the Field Information Unit, Soil Conservation Service, U. S. Department of Agriculture, Upper Darby, Pa.*

GILES H. MILLER, JR., president of the National Bank, Culpeper, Va., sees a lot of things in the financial statements of loan applicants besides the cold figures. He has observed, for example, that farmers who practice soil and water conservation on their land get ahead of those who don't. The conservation farmers make more money. At the same time they protect their basic capital asset—their soil resources—through conservation. They are better risks, better customers, better community builders.

That made Mr. Miller think about this conservation business. What was it? How did it work? How did it help the farmers increase their income?

To satisfy his curiosity, Mr. Miller took to reading about soil and water conservation. He talked with U. S. Soil Conservation Service technicians headquartered in Culpeper. He conferred with the supervisors of the 5-county Culpeper Soil Conservation District. The supervisors and the technicians took him out on the land.

Conservation a Way of Life

On the basis of his researches, Mr. Miller concluded that soil conservation is a way of life—a means to the end of better living for more people. With that thought in mind, he began making discreet inquiry of every farmer seeking a loan.

"Are you applying a soil and water conservation program to your land?" he asks. If the farmer isn't but shows an interest, Mr. Miller directs him to the supervisors of the Culpeper Soil Conservation District. That often starts the ball rolling.

"Of course we don't insist that the applicant have a conservation plan as a condition of the loan," Mr. Miller explains. "But," he adds significantly, "the hint is there."

With this interest in soil and water conservation, it was only natural that Mr. Miller would play a leading role in supporting a watershed project that has given new life to the town of Culpeper. The U. S. Congress made the project possible by enacting Public Law 566 in 1954. The law enables local people to bring the Government in as a junior partner in the job of protecting themselves against damaging floods. Administered by the U. S. Soil Conservation Service, the law also permits creation of municipal water supplies and the development of wildlife resources as a part of a flood prevention and watershed protection program.

Mountain Run was Culpeper's main source of water. It was a picturesquely winding stream. But it had the unpleasant habit of drying up or running low in the summer. That wasn't satisfactory. So the town acquired the use of an abandoned quarry. The huge hole was pumped full of water in the winter, drawn upon as needed in the summer.

Without a good, year-round, adequate source of water, Culpeper could not grow. Industrial development officials could not seek new industries because the first thing they were asked about was the water supply. The town and county could not proceed with the building of a planned and needed hospital because there wasn't enough water. If it couldn't grow, Culpeper would shrink as other cities expanded.

Summer over, Mountain Run went to the other extreme. Choked with soil washed from farms and toppled trees, it flooded. It spilled water over good farm land and into the city. Repair work was costly. Sometimes

(CONTINUED ON PAGE 82)

Mr. Miller, *left*, goes over certain aspects of the conservation farm plan of Robert Bruce, *right*, dairy farmer in the Mountain Run watershed

Here's the Banker-Purina team in action... completing financial arrangements for a Purina Dealer, who works with his local bank, and in which United States National participates. In the picture, left to right, are B. B. Bowman, Purina Divisional Sales Manager; J. W. Davis, President, Citizens Savings Bank of Avoca, Iowa; Mr. Vogel; J. G. Smart, Purina Credit Manager in Omaha; Wayne M. Thorndyke, Vice-President, United States National.

"THREE-WAY BANKER-PURINA TEAM SERVES 'HEART OF CATTLE COUNTRY'"

...says Dean Vogel, Executive Vice-President
The United States National Bank of Omaha

"The United States National Bank, local bankers and sales and credit executives of Ralston Purina Company form a smooth-running team that has helped farmers in this region to develop beef production into big business," says Mr. Vogel. "The feedlot of today takes big thinking, big action and big money."

Here's how the team operates: When a project needs substantial financing, the local banker and Purina executives discuss it with officers of United States National. When details are in order, financing is done through the local Bank, with United States National carrying the portion above the local Bank's limit. Both refinancing and venture capital can be provided in this way.

As a correspondent bank, United States National has enabled local bankers and Purina Dealers to serve agriculture in Iowa, Nebraska, Kansas, South Dakota, Colorado and Wyoming.

* * * *

Participation loans of the United States National Bank have doubled in the last two years. This reflects the development of agriculture and the increase of its credit needs. "Banking, industry and agriculture are working together to make our region grow," says Mr. Vogel. "Banking, and all business in Omaha, thrives as agriculture prospers."

QUALITY SERVICE

PURINA...YOUR PARTNER IN SERVING ANIMAL AGRICULTURE

Watershed Development Restores Prosperity

(CONTINUED FROM PAGE 80)

the flooding threatened or closed public utilities, like the town's power plant and sewage disposal system. Sometimes it damaged and closed industrial plants. The uncertainty of flooding kept a 20-acre area at the town's edge empty and unproductive.

Two Banks Face Up to Situation

Facing up to the situation, the town's two banks, the Culpeper National and the Second National, sponsored a dinner to get the farmers and the city folks together to talk over the watershed project. As vice-mayor, Mr. Miller gave the proposition additional support.

The upshot was that the town of Culpeper co-sponsored the watershed project with the Culpeper Soil Conservation District. Land treatment to prevent erosion in the watershed, clearing the stream channel, and the building of three small lakes composed the plan. Two of the lakes were for flood prevention only. One was made big enough to give the town of Culpeper a new and dependable, year-round source of palatable water. Cost to the town was only about $60,000. The Soil Conservation Service was responsible for the technical perfection of the entire project.

Culpeper Is on Move Again

With its new source of water, historic Culpeper is on the move again. New industries are moving in. The 20-acre wasteland has been developed into a modern shopping center. The new hospital has been built. An attractive residential section is developing near the hospital. The town and county tax base has been broadened. In addition, the town will have its first public recreation area. With shore improvements planned by the town, the lake will be used for swimming, boating, skating, fishing, and as a picnic center.

While Culpeper reaps these major benefits, greatest gains will come to the agricultural land in the reduction of flood damages. Removal of the flood threat permits a more intensive use of the farm land. There have been intangible benefits that are beyond pricing.

"The project has brought our rural and city people together," Mr. Miller pointed out. "It has made us realize how inter-dependent we are. We learned about each other's problems. We worked together to solve two of them: water shortage and flooding. A lot of lasting satisfaction has come out of our working together.

"Even if the town of Culpeper would have gained nothing directly itself from the project, we still would have favored it. It would have helped the farmers and anything that helps them helps all of us.

"Cooperation," Mr. Miller concluded, "has brought success. There's no limit to what people can do for themselves when given the chance."

Rural Credit Unions

(CONTINUED FROM PAGE 79)

future of banking . . ." and "We should push our complete package of services from trust to safe deposits in addition to all our regular commercial services."

(3) Consider more convenient banking hours for consumer services. ". . . the banks in such areas should provide greater flexibility for instalment loan after hour facilities for the working man in the community . . ." and ". . . some after hour facilities will have to be arranged for, even if a major portion of the bank is closed . . ."

Q. Mr. Welman, is credit union competition any different now than it was, say, 20 or 30 years ago?

A. Credit union competition, whether it be from rural community, cooperative or other credit unions, has changed. A few decades ago individuals with a true common bond cooperated with one another much as two neighboring farmers helped one another harvest grain. However, at the present time, normal human desires of members to obtain saving and credit services at low subsidized costs and of officials to attain positions of prestige, authority, or even power have supplanted the common bond as primary motivators in credit union expansion. Fortunately, country bankers are coming to realize these motivations and are providing services, new and old, which help banks compete with all types of lending agencies.

THE BALANCED PLAN GEARED TO YOUR REQUIREMENTS

A sound and profitable insurance program cannot possibly be standardized and still properly serve the needs of every Financial Institution. Rather, it must be carefully surveyed and balanced to meet individual requirements.

The American Plan Corporation, specialists in the field of Consumer Credit Insurance, has pioneered in the creation of simple insurance packages constructed to fit the dimensions of the particular Financial Institution.

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Without any obligation whatsoever on your part, we will be pleased, upon request, to analyze your insurance program.

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The World's Largest Management Corporation
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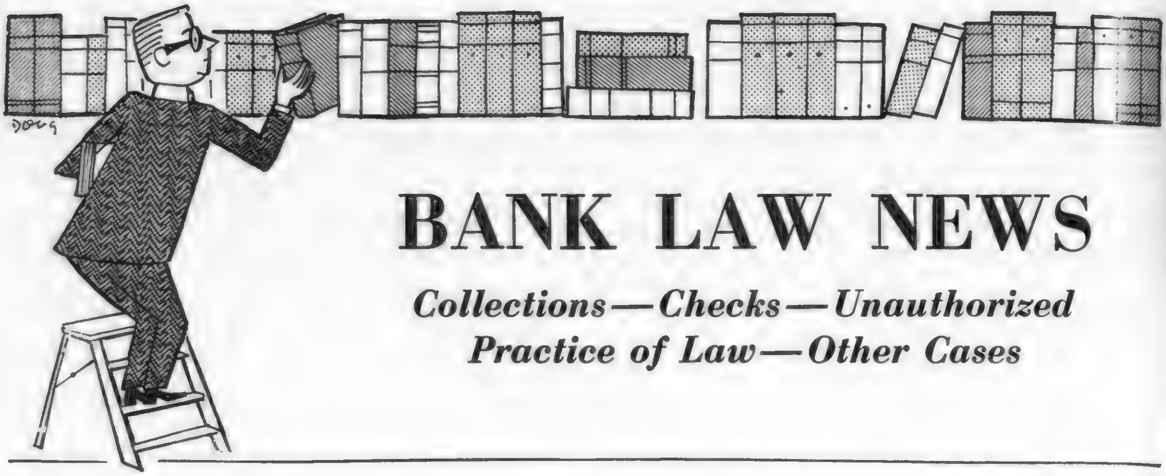


BANK LAW NEWS

Collections—Checks—Unauthorized Practice of Law—Other Cases

COLLECTIONS

Bank Collection Code, §7, and Deferred Posting Act, §1, held not inconsistent.

Section 1 of the Indiana Deferred Posting Act provides that where a bank receives a demand item payable at the bank and gives credit therefor before midnight of the day of receipt, the bank has until midnight of its next business day after receipt within which to dishonor or refuse payment on such item.

This statute means exactly what it says, recently ruled the Appellate Court of Indiana. Thus, in a case where a drawee bank received certain checks by mail and on the day of receipt credited the collecting bank with the amount of the checks and advised the collecting bank of the acceptance of a charge to its account for the amount of the checks, but four days later it undertook to revoke the credit, the court said it was too late; the time to revoke the credit had expired.

The drawee had contended that §7 of the Bank Collection Code was controlling. This section provides that where an item is received by mail by a drawee bank, the item shall be deemed paid when the amount is finally charged to the drawer's account. Therefore, argued the drawee, since it had not charged the drawer's account for the amount of the check, the credit was revocable.

The court had this to say about these statutes: "As we perceive it, a drawee bank, under the existing law in this state, can pay an item received by mail in one or both of two ways. It can finally charge the item to the account of the maker, as provided in said §7 of the Bank Collection Code, or it can give unrevoked credit therefor, as provided in said §1 of the Deferred Posting Act. Of course, the bank can do both. . . . Said §7 of the Bank Collection Code and said §1 of the Deferred Posting Act each can be given full effect, without any conflict, by simply determining which occurred first, payment of the item by final charge to the maker's account or payment by giving unrevoked credit therefor."

The court concluded, therefore, that the two sections were not inconsistent; that they could be readily reconciled; and that each could be given force and effect according to its terms.

Apparently, this case is truly one of first impression because the court noted that "extended independent research" had failed to produce a case on the "precise question now considered." First Nat. Bank of Elwood v. Universal C.I.T. Corp. (Ind. App.) 170 N.E. (2d) 238.

> ***Prepayment of Note***
>
> WHERE there is no prepayment clause in a note, the maker cannot by payment in full before maturity oblige the holder to rebate unearned interest Eliasz v. Broadway Bank & Trust Company (N.J.) 166 Atl. (2d) 166.

UNAUTHORIZED PRACTICE OF LAW

Federal savings and loan held to be engaged in the unauthorized practice of law.

The Kentucky Court of Appeals recently ruled that a Federal savings and loan association was engaged in the unauthorized practice of law where it employed an attorney, at a fixed annual salary, to examine and pass judgment on the validity of titles to real property mortgaged to the association as security for loans made, and for which service the association charged the borrower.

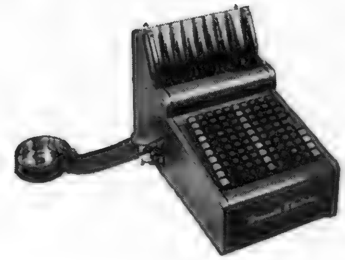
Before making the mortgage loan, the association required that a title examination be made on the property to be mortgaged. Loans, of course, were not made unless, in the opinion of the attorney, the title was clear. No specific attorney's fee was charged the borrower. However, the borrower paid a "service charge," ostensibly made up of the actual costs of making the loan, including a charge for the examination of title. The association did not normally list the separate charges for each service but simply wrote in the total amount of the service charge.

The association had contended that the legal service was performed on its behalf by its attorney and since no direct charge was made for the service to the borrower, it was not engaged in the prac-

(CONTINUED ON PAGE 86)

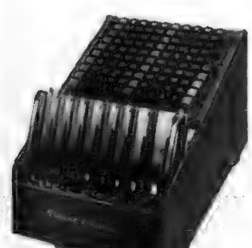
MODEL 502 BRANDT ELECTRIC AUTOMATIC CASHIER — Abbreviated Keyboard Type. Consists of two units, a coin dispenser and a separate, small, simplified keyboard. The keyboard unit may be placed apart from the coin dispenser unit anywhere in the teller's work area. Lighter key pressure required than with manually operated machines. Coins are delivered directly to customers by means of a delivery chute.

MODEL 500 BRANDT ELECTRIC AUTOMATIC CASHIER — Full Keyboard Type. Consists of two units, the same coin dispenser as the Model 502 and a separate keyboard having a full range of keys, thus requiring the depression of only a single key to make a coin payment ranging from 1¢ to 99¢, inclusive. Keyboard may be placed anywhere, to suit the convenience of the operator.



MODEL 450 BRANDT ELECTRIC AUTOMATIC CASHIER — Single Unit, Delivery Chute Type. Coin dispenser and keyboard combined into a single unit. Only one key is depressed to pay any amount from 1¢ to 99¢, inclusive. Coins are delivered direct to customer by means of a delivery chute.

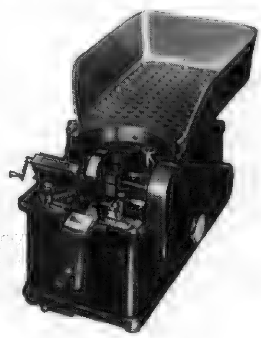
MODEL 250 BRANDT AUTOMATIC CASHIER. Similar to the Model 450 except that it is operated manually instead of electrically.



MODEL 350 BRANDT ELECTRIC AUTOMATIC CASHIER — Trap Door Type. The teller depresses a single key to make payment of amounts from 1¢ to 99¢, inclusive. Coins fall into a hopper at front of machine. A slight backward pressure on the trap door at the base of the hopper allows the coins to fall into the teller's hand; coins are passed to the customer by the teller.

MODEL 150 BRANDT AUTOMATIC CASHIER. Similar to the Model 350 except that it is operated manually instead of electrically.

MODEL SL BRANDT COIN SORTER AND COUNTER — Motor Driven. Sorts and counts mixed coins, pennies to half dollars, inclusive. Features "quick take-apart" construction permitting quick, easy access to many of the working parts. Auxiliary items such as stand, bagging attachments, built-on inspection pan and others for use with this machine can be furnished if they are desired.



MODEL CHM BRANDT COIN COUNTER AND PACKAGER — Motor Driven. Handles all coins from pennies to silver dollars, inclusive. Mechanical improvements make for speedier packaging or bagging of coins with less effort. A number of auxiliary items including stand, crimper and others are available for use with this equipment. Hand operated machine is also available.

Brandt also manufactures a variety of coin storage trays as well as a complete line of coin wrappers and bill straps.

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(CONTINUED FROM PAGE 84)
tice of law. This contention was brushed aside by the court.

It is apparent, said the court, that "the title examination is not made exclusively for the benefit of respondent [association]. A clear title is one of the conditions upon which it will make a loan. The examination is made *primarily* for the benefit of the borrower so that he can comply with this essential condition." The fact that a charge was made to the borrower simply confirmed the fact that the legal service was being rendered for the borrower. Kentucky State Bar Association v. First Federal Savings & Loan Association (Ky.) 29 U.S. Law Week 2277.

CHECKS

Bank's payment of duplicate treasurer's check to purchaser who defrauded bank is no defense to action on first check although owner is not holder in due course.

There exists in the law what is known as the doctrine of equitable estoppel. Briefly stated, it is to the effect that where one of two innocent persons must suffer loss, it must be borne by the person who made the loss possible.

The doctrine was recently applied by the 3-judge United States Court of Appeals for the District of Columbia, which split two to one in its decision. The dissenting judge doubted the applicability of the doctrine under the facts of the case.

A bank issued its treasurer's check for $6,000 on March 5, 1954. The payee endorsed it to an attorney who, in turn, endorsed it specially to the clerk of the court in which an action was pending against the payee of the check. The clerk delivered the check, without endorsement, to the county treasurer who held it in his official capacity subject to the outcome of the action.

On October 11, 1956 a judgment in that action was entered under which the successful party became entitled to the possession and proceeds of the check. It was thereupon delivered to the successful party by the county treasurer. When presented for payment, the issuing bank refused to pay because of a stop on

it. Payment had been stopped in July 1954 at which time the purchaser had falsely represented to the bank that the original check had been lost and, by posting a lost-instrument indemnity bond, had induced the bank to issue a duplicate. The duplicate was paid by the bank in August 1954.

In this action, brought by the holder of the original check against the issuing bank, the Court of Appeals rendered judgment against the bank for the amount of the check. The court assumed, for the purpose of its decision, that the owner was not a holder in due course of the check.

Court's Reasoning

The court's reasoning went something like this. Concededly, the bank was the innocent victim of a fraud. The owner of the check, however, was also entirely innocent of the fraud. She was, said the court, "the owner for value [by reason of the judgment in her favor] of the check of March 5, 1954, issued by the bank as its own promise to pay. As against her the loss of the $6,000 is required under principles of equity to be borne by the bank. Appellant [owner] was without opportunity to protect herself from the fraud. The bank, on the other hand, did undertake to protect itself by requiring an indemnity bond prior to issuing the duplicate instrument. . . . While this did not create liability on the part of the bank to appellant, it bears upon the equitable principle referred to; for, although innocent of the fraud, the bank participated in conduct which led to payment of the duplicate check. Since the obligation of the bank to appellant as owner of the March 5 check was not discharged by this fraudulently induced payment, with the consequence that one of two innocent parties, the appellant and the bank, must suffer the loss, equity casts it . . . upon the one 'who has most trusted the party through whom the loss came.' . . . In this case, that is the bank.

The court added the following footnote: "The application of this principle is of course unaffected by the fact that the bank may not in the end, due to the indemnity bond, suffer any loss." Whitehead v. American Security & Trust Company (C.A., Dist. of Col., §15582)

New Books

TRENDS IN THE AMERICAN ECONOMY IN THE NINETEENTH CENTURY. The Conference on Research in Income and Wealth. Princeton University Press, Princeton, N.J. 777 pages. $15. This report of the National Bureau of Economic Research, New York, is Volume 24 in a series of studies in income and wealth. It covers trends in output, income, factor payments and international payments in the economy of the U.S. and Canada during the last century.

TAXES IN THE SCHOOL. By *Roger A. Freeman.* The Institute for Social Science Research, Washington, D.C. 441 pp. $5. The second and concluding report on a research project covering the financing of the public schools finds that the property tax can well remain the chief support. Most of the book discusses how $12-billion additional school revenues can be raised by 1970; about half may be expected to come from economic growth, but the remainder will require higher taxes.

MONEY IN MOTION. By *Arthur Dahlberg.* John de Graff, New York. 141 pp. $5.95. "A graphic portray of the nature of money and the American economic system," which the author also calls an "analytical portrait of our monetary system." With the aid of graphs, he integrates the parts played by banks, the Federal Reserve System, and the Treasury in the money and banking system of the United States.

AGRICULTURAL FINANCE. By *William G. Murray* and *Aaron G. Nelson.* Iowa State University Press, Ames, Ia. 486 pp. $6.50. This completely revised edition of a book first published in 1940 is a practical guide to solving problems in farm credit and finance. The authors show how credit can be used profitably and safely; the terminology and common practices in credit extension are explained. Types of lending agencies and their roles are analyzed.

STATISTICAL MEASURES OF CORPORATE BOND FINANCING SINCE 1900. By *W. Braddock Hickman,* with the assistance of *Elizabeth T. Simpson.* Princeton University Press, Princeton, N.J. 582 pp. $9. The third and final volume reporting on a study by the National Bureau of Economic Research, New York. It contains the basic statistics on which the findings of Volume II ("Corporate Bond Quality and Investor Experience") are based, and supplementary tables on topics not covered by that report.

LINEAR PROGRAMMING AND THE THEORY OF THE FIRM. By *Kenneth E. Boulding* and *W. Allen Spivey.* Macmillan, New York. 227 pp. $8. A study of the significance of linear programming in capital budgeting, managerial strategy, economic stabilization, and economic planning. The volume is the product of a seminar for college teachers of economics sponsored by

the Ford Foundation and held at the University of Michigan in 1958. There are contributions by five writers in addition to Professors Boulding and Spivey.

FLEXIBLE EXCHANGE RATES: THEORY AND CONTROVERSY. By *Egon Sohmen.* University of Chicago Press, Chicago. 184 pp. $5. The theoretical issues arising in discussion of rate management.

CAPITAL IN MANUFACTURING AND MINING: ITS FORMATION AND FINANCING. By *Daniel Creamer, Sergei P. Dobrovolsky,* and *Israel Borenstein.* Princeton University Press, Princeton, N.J. 344 pp. $7.50. Vol. 6 in a series of studies of long-term trends in capital formation and financing. "Empirical findings buttressed by detailed evidence."

TRENDS IN GOVERNMENT FINANCING. By *Morris A. Copeland.* Princeton University Press, Princeton, N.J. 210 pp. $5. An analysis of the factors responsible for the long-term rise in Federal, state and local government indebtedness.

EXECUTIVE RECRUITING: HOW COMPANIES OBTAIN MANAGEMENT TALENT. Executive Reports Associates, Lake Forest, Ill. 105 pp. $12.50. A special report for businessmen prepared by students at the Harvard Graduate School of Business Administration who interviewed top executives and professional recruiters in major industrial cities. In their survey of 500 companies the researchers found that marketing, general administrative and research-engineering executives account for 74 of the top executives recruited during the past two years. The main theme is how companies can and do lure talent from other companies.

ECONOMIC ATLAS OF THE SOVIET UNION. By *George Kish.* University of Michigan Press, Ann Arbor. 96 pp. $10. The professor of geography at the university offers studies of all phases of Soviet economic life, grouped in major regions. It's said to be the first work outside the Iron Curtain to deal with the USSR as an economic structure of several areas. There are five general and 60 regional maps.

Nature abhors a vacuum, and she sometimes fills an empty head with conceit.

A person can win a lot of arguments by avoiding them.

A dollar doesn't do as much as it used to and neither do most of us.

We still think there is something to be said for the old days when some child welfare work was done in the woodshed.

Progress means taking risks, for you can't steal home and keep your foot on third base.

Sometimes a person gets so busy hunting for advantages that he forgets there is work to do.

You don't judge a person's generosity by the amount of advice he gives away.

A pessimist agrees every cloud has its silver lining, but he expects it to be tarnished.

When a person really knows himself, he probably wonders why he has so many friends.

Most of us find that it's hard to take advice from people who need it worse than we do.

If you have some hard bumps, you are probably traveling out of the rut.

The person who spends what his friends think he makes is probably in debt.

A parking space is the thing that disappears when you make a U-turn.

"What you don't know doesn't hurt you" doesn't apply to the hidden taxes in the things you buy.

Wise words are sometimes spoken in jest, but many more foolish ones are spoken in earnest.

It doesn't do any harm to dream if you get up and hustle when the alarm goes off.

The way of the transgressor may be hard, but it isn't lonely.

A School for Equipment Buyers

To this ivy-covered building come bank officers and other businessmen to take courses in modern office methods and systems. It's the Friden Educational Center located in Rochester, N. Y.

THERE have been big changes in the training programs of equipment manufacturers. Most companies have already expanded them in length and depth. Now a number of firms are pushing back the third dimension—breadth. They're including not only their own people, but are bringing in customers and potential customers as well.

An example of this is the Friden Educational Center which was established in Rochester in 1957. During its first year it offered 10 4-week courses for salesmen. In 1961 it has scheduled 131 programs (not including special seminars) for salesmen, managers—*and customers*.

The faculty includes experts who are fully conversant with the special paper-handling requirements in such fields as factory management, communications, and banking.

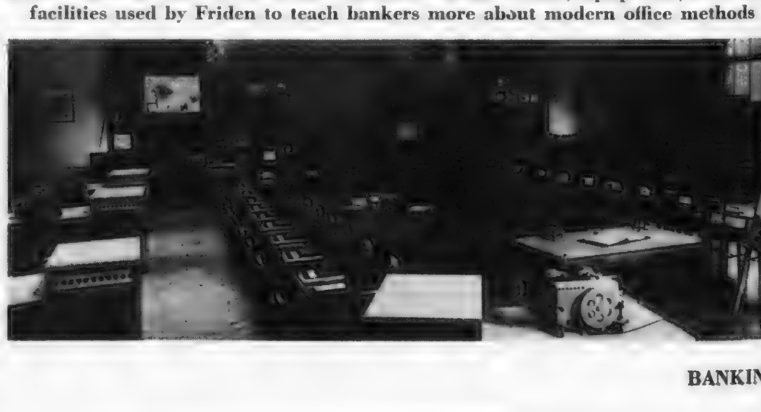
In addition to a full line of the company's own equipment, the machines of competitors are also displayed and used in the classrooms. The million dollars' worth of equipment permits an almost infinite variety of combinations in developing and demonstrating systems to solve the diverse problems of businessmen.

All this is housed in a building that includes a dozen fully-equipped classrooms, administrative offices, a lecture hall, and a large auditorium. These facilities make it possible to conduct as many as six different programs simultaneously—a not uncommon occurrence.

The teaching is further enhanced by a number of modern teaching aids. These include slides, movies, flip charts, programing blackboards, and a newly-installed sound system that is particularly valuable for lectures.

It has been the experience of this school that the "office" problems of businessmen are not limited by state or national boundaries. Not only does it serve people from all parts of the United States, but it has also enrolled men from Australia, Japan, British West Indies, and Canada.

In the auditorium can be seen some of the educational aids, equipment, and other facilities used by Friden to teach bankers more about modern office methods



BANKING NEWS

7,000 Commercial Banks Will Participate in 1963 Observance of Dual Banking

Nearly 7,000 commercial banks have pledged participation in a nationwide observance of the 100th anniversary of the dual system of banking in 1963. Bank subscriptions for the centennial observance now approximate $160,000.

These developments were reported by the Centennial Commission of The American Bankers Association, coordinator of planning for the celebration, following a meeting in New York. Ben H. Wooten, chairman of the board, First National Bank in Dallas, Tex., is commission chairman.

Four states and the District of Columbia report 100% backing of the Centennial program by commercial banks; namely, Connecticut, Nevada, Utah, and Arizona. In a number of other states all but one or two banks have subscribed.

The commission meeting was presided over by Vice-chairman Gibbs Lyons when weather prevented Mr. Wooten's attendance. Mr. Lyons, who is chairman of board, National Bank and Trust Company of Fairfield County, Stamford, Conn., announced that a book presenting a historical analysis of the role of commercial banking in the United States will be prepared under the commission's auspices for publication late in 1962. The book, like all facets of the program, will seek to clarify public understanding of banking's role in the development of the economy.

A proposal to enlist the cooperation of school administrators and teachers to focus special attention on banking during the Centennial year was endorsed by the commission, Mr. Lyons said. Bankers will be urged to localize this activity by arranging student tours of banks, addressing school assemblies, providing visual instruction aids for use in classrooms, and by other means.

Recent subscriptions to the Centennial program resulting from efforts of state chairmen and vice-chairmen indicate that many more banks will join the subscribers' list. In Texas, for example, 136 banks recently became participants in the observance following a personalized invitation by state leaders. A similar approach in Pennsylvania has netted 76 additional subscriptions.

Attending the commission meeting at The Waldorf-Astoria, in addition to Mr. Lyons, were Everett D. Reese, chairman of board, City National Bank and Trust Company, Columbus, Ohio, commission treasurer; George Champion, chairman of board, The Chase Manhattan Bank, New York; Sam M. Fleming, president, Third National Bank in Nashville, Tenn., and vice-president of A.B.A.; Frank L. King, chairman of board, California Bank, Los Angeles; Homer J. Livingston, chairman of board, The First National Bank of Chicago; Casimir A. Sienkiewicz, president, Central-Penn National Bank, Philadelphia; Joseph C. Welman, president, Bank of Kennett, Kennett, Mo.; Charles R. McNeill, commission secretary, Washington, D. C.; William K. Mendenhall, executive vice-president, New Jersey Bankers Association, Princeton, N. J., ex officio member.

U. S. Bank Population Data

Officers:	*1940*	*12/31/60**
Male	57,000—95%	105,000—90%
Female	3,000— 5%	11,500—10%
Total	60,000—20%	116,500—17%
Other Employees:		
Male	180,000—75%	189,500—1/3
Female	60,000—25%	379,000—2/3
Total	240,000—80%	568,500—83%

* A.B.A. preliminary estimates

Discussion ranged over national and international banking issues as top bankers were featured on Chicago's WBKB television program "Off the Cuff!" Participating in the 2-hour-long panel discussion were, *clockwise from left foreground:* Gaylord A. Freeman, Jr., president, The First National Bank of Chicago and of A.B.A.'s Savings Division; David McDougal, vice-president, The Northern Trust Company, Chicago; John Perkins, vice-president, Continental Illinois National Bank and Trust Company, Chicago; Norman Ross, program moderator; Carl A. Bimson, president, Valley National Bank, Phoenix, and of American Bankers Association; Casimir A. Sienkiewicz, president Central-Penn National Bank, Philadelphia, and chairman, A.B.A.'s Committee for Economic Growth Without Inflation; and Philip S. Shoemaker, vice-president, Pittsburgh (Pa.) National Bank

Walter B. French

Walter B. French, A.B.A. Senior Deputy Manager, Dies Suddenly on Feb. 10

Was Exec. V.P. of Trust Company of New Jersey from 1928 to 1940

Walter B. French, senior deputy manager of The American Bankers Association in charge of its Credit Policy Committee, was found dead at the Union League Club in New York City on February 10. Mr. French had attended a meeting with bankers from New Jersey and had taken a room at the Union League Club for the night. He apparently died in his sleep.

Mr. French, a native of Jersey City, was born December 15, 1897. After attending the schools in that city, he studied at the New York University School of Commerce and Finance. He was a graduate of the American Institute of Banking and of The Stonier Graduate School of Banking, conducted by The American Bankers Association at Rutgers—The State University of New Jersey.

He began his banking career in 1916 in Jersey City. After serving two years in the Marine Corps during World War I, he entered the employ of the National City Bank of New York. In 1924 he returned to Jersey City as cashier of the Merchants National Bank; and when that bank merged into the Hudson County National Bank in 1927, he became assistant to the president of the succeeding bank. From 1928 to 1940, he was executive vice-president of the Trust Company of New Jersey at Jersey City.

In 1940 Mr. French joined the staff of the A.B.A. as deputy manager and manager of the Consumer Credit Department, which is today the Instalment Credit Committee.

In 1943 he was put in charge of the State Bank Division and the Bank Management Committee as well. When the Credit Policy Committee was founded in 1943, he was placed in

Work in

Here are *some* of the projects now under way in the various departments of the American Bankers Association:

Department	*Type of Study*	*Approx. Completion Time*
Advertising Department	*School Saver*—spring issue	April 15, 1961
	Timely Money Tips—miniature house organ	April 1961
	New direct mail folders	Monthly—1961
	New series newspaper mats	April 1961
	Teacher-Banker Credit Plan	Spring 1961
Advisory and International Committee	Semiannual report on *International Financial Developments*	Spring 1961
Agricultural Committee	*Water and Irrigation*	March 1961
	Semiannual survey of banker opinion on farm credit conditions	April 1961
	Agricultural Credit and Related Data—revision	June 1961
	Report on Agricultural Lending Agencies	Fall 1961
	Providing a Complete Financial Service for Agriculture	1962
A.I.B.	Textbooks:	
	Supervision and Training by James M. Slay, vice-president, Federal Reserve Bank, Richmond, Va.	Fall 1961
	Economics by Professors A. Anton Friedrich, John A. Bryson, New York University, and Weldon Welfling, Western Reserve University	Fall 1961
	Bank Letters and Reports by Professor W. George Crouch, University of Pittsburgh	June 1961
	Argumentation and Debate by Dr. Lionel Crocker, Denison University	1962
	Commercial Law by James M. Landis	1962
	Negotiable Instruments by James M. Landis	1962
Bank Management Commission	*Manual on Life Insurance Loans*	Spring 1961
Committee for Economic Growth Without Inflation	*Gold and the Balance of Payments*—booklet	Early 1961
	Economic Growth—monograph	Fall 1961
	Establishment of State Committees to Promote the Growth-Inflation Program	1961
Committee on Credit Unions	*One Check Payroll Services*—booklet	Fall 1961
Council on Banking Education	Booklet on bank services for high schools	June 1961
Country Bank Operations Commission	*Direct Verification for Smaller Banks*—booklet	Spring 1961
	How to Cost Analyze the Smaller Bank—a revision of the manual *Simplified Cost Analysis for Smaller Non-departmentalized Banks*	Indefinite
	How to Set Up a Salary Program in the Smaller Bank—revision	Indefinite
	Profit planning (budgeting) guide for smaller banks	Fall 1961
Credit Policy Committee	Semiannual survey of banker opinions on business and credit outlook	June 1961 December 1961

Progress

(Readers are requested not to write in for these items until their completion is officially announced)

Department	*Type of Study*	*Approx. Completion Time*
Economic Policy Committee	Revision of Committee's series of six *Monetary Studies*	Indefinite
Instalment Credit Committee	Annual study of instalment credit—comparative ratios, portfolio diversification, terms, earnings, and expenses	March 1961
	Trends in Instalment Credit—1961 (in cooperation with Research Committee)	Spring 1961
	Automobile Financing Through Dealers—a revision	April 1961
	Instalment Loans to Small Business—a revision	Late 1961
	Instalment Lending Directory	March 1961
	Timely Notes on Instalment Credit	Periodic
	Proceedings of 1961 National Instalment Credit Conference	April 1961
Insurance and Protective Comm.	*Digest of Bank Insurance*—9th revision	Spring 1961
Mortgage Finance Committee	*Study on a National Market for Conventional Mortgages*	Spring 1961
	The Mortgage Bulletin—Number 4	April 1961
	Study on *The Banker's Role in Urban Renewal*	Summer 1961
	Handbook for Mortgage Officers	Indefinite
	Pension Fund Study	Indefinite
Public Relations Committee	Education filmstrip—*The Role of the Commercial Banking System in American Economy*	Spring 1961
	Revision of PR manual, *Your Bank's Relations with Schools*	Mid-1961
	Several additions to *Speech Service* for bankers addressing public audiences	Mid-1961
	The Banker and Politics—addition to PR manual series	Late 1961
	The Banker Writes—addition to PR manual series	Mid-1961
	Additions to PR Memoranda series	Continuous
Research Committee	*Trend of Bank Loans*	April 1961
	Banking and Monetary Developments, Chartbook, 1946-1960	Spring 1961
	Areas for Research in Banking at the Doctorate Level	Fall 1961
	Statistics on the Savings Market (in cooperation with the Savings Division)	Spring 1961
Savings Division	*Personal Money Management*—revision	Spring 1961
	Save and Succeed	Late 1961
	Methods and Procedures of Computing and Paying Interest on Savings Accounts—a revision	Late 1961
	No-Passbook Savings	Late 1961
	Savings Campaigns	Late 1961
	Profitability of Savings for Commercial Banks	Late 1961
	Profitable Savings—The Bankers' Opportunity	Late 1961
	You, Your Bank and Your Savings Account	Early 1962
State Bank Division	*Condition and Operation of State Banks in 1960*	March 1961
Trust Division	*An Introduction to Trust Investments*	April 1961

charge of that department, and was given the added responsibility of the Small Business Credit Committee at the time of its inception in 1944. In order that he could devote all his time to credit matters, his responsibilities with the Bank Management Committee and the State Bank Division were transferred to another A.B.A. department in 1946; however, in 1953 Mr. French resumed as secretary of the State Bank Division. He was appointed senior deputy manager in April 1956, and at the time of his

(CONTINUED ON PAGE 99)

Postgraduate Work in Specialized Fields to Be Offered by Trust School

Doors Opened to Trust Women As Result of Their Important Role

The National Trust School, educational activity of the Trust Division of The American Bankers Association, will introduce two innovations at its 1961 session, August 7-25, at Northwestern University, Evanston, Ill.

These are the admission of women students and the offering of postgraduate work in specialized fields of trust administration and new business development. The school will have facilities for 30 trust women.

Formal announcement of the innovations came with publication of the catalog for the 1961 session. Copies of the catalog have been sent to all trust departments in the United States and some foreign countries.

Recognition of the increasingly important role of women in trust work, influenced the schools in its decision that women should be given an equal opportunity to enjoy the advantages of special schooling.

Decision to offer postgraduate work to persons who have completed the entire course was based on the requests of many members of the 1960 class to return for specialized work. Graduates of the 1-session school who have completed the 3-week course as trust administration majors may return for a half-session of specialized instruction in trust new business. Similarly, graduates of the 3-week course in new business may return for specialized work in administration. Dates of the postgraduate session will be August 17-25.

For the 1961 session, the school's board of regents has decided that the limit on enrolment will be raised from 217 students in 1960 to 275. Additional faculty members will be added as necessary. The school had a faculty of 65 last year.

Catalog may be obtained from The National Trust School, A.B.A., 12 East 36th St., New York 16, N.Y.

· NEWS ·

Instalment Credit

Debt Consolidation Evidenced; Bankers Advised To Help

According to the latest report from the Advisory Board to the A.B.A. Instalment Credit Committee, the general downtrend in instalment loan paper acquired by banks, with the exception of personal loans and auto dealer floor planning, indicates a consumer movement toward debt consolidation.

These indications are not to be taken as pointers toward increased promotion of instalment credit, but, considering economic conditions, as reflecting a need on the consumer's part for the good counsel and help of his banker toward orderly management of his personal debt. The report indicates, says the Committee, debt consolidation, debt adjustment, and refinancing of obligations to keep family payments current.

Latest delinquency reports released by the Instalment Credit Committee show an upturn in delinquencies, bringing delinquencies as of December 31 up above the 2% mark. Weather and economic conditions indicate possible further increases for February. The personal loan category, again, stands apart as having had the lowest increase in delinquency and the best current repayment record.

Dealers Are In Floor Plan Trouble

The upturn in volume of floor plan loans to auto dealers reflects extremely heavy inventories of cars still in the hands of dealers.

"There is some evidence," the Committee says, "that dealers are experiencing greater difficulty in meeting instalments due on merchandise that has been on flooring for some months, as well as delaying the payoff on sold cars carried on inventory loans. . . . The present inventory condition requires that banks maintain rigid policies on dealer capital requirements, inventory controls and credit statements."

Repossessions on both direct and dealer automobile loans are up slightly, and losses on repossessions on dealer paper have increased.

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Push Home Repair Loans

For Your Information: Survey reports indicate little consumer desire for new housing in the immediate future; bad for mortgage bankers, but good for home improvement loans. This should be an excellent season to merchandise these loans thoroughly.

Book Review

FLOOR PLANNING THE DEALER. *By Everett D. Gibbons.* School of Consumer Banking, Inc., Washington, D.C. $6.50. Procedures and safeguards which apply to the wholesale financing of consumer durables, including special applications to floor planning new and used automobile dealers, mobile home dealers, appliance dealers, marine dealers. Appendices contain facsimile letters, documents, certificates, control sheets and receipts needed in each operation. Commended to any banker contemplating floor planning as a competitive asset or interested in tightening up a current operation.

"You realize, of course, that you promised to send her the monthly payments on her loan"

Credit Leaders To Speak at A.B.A.'s Instalment Credit Conference

Kenneth V. Zweiner

Sam M. Fleming

Reno Odlin

Edward J. Frey

Thorough Soul-Searching To Prepare For Months Ahead

The months immediately ahead may hold very special conditions and challenges for the instalment credit banker. A thorough exploration of credit policies and procedures for banks during that time is promised at the A.B.A.'s National Instalment Credit Conference to be held at The Conrad Hilton Hotel in Chicago, March 20, 21, 22.

"Bull sessions," scheduled for each of the three afternoons, are again expected to evolve a wealth of interchange of practical experience. Although the various sessions will be directed toward direct lending, competition with tax-favored institutions, the Douglas "full disclosure bill," and, separately, indirect lending, much spontaneous choice of topic is expected.

The program for the conference is tentatively as follows:

Current Conditions and New Approaches

Monday, March 20, morning session, 10 A.M.: *Edward J. Frey, chairman, A.B.A. Instalment Credit Committee, president, Union Bank and Trust Company, Grand Rapids, Mich.;* "Stabilizing Factors in Our Economy"—*Sam M. Fleming, A.B.A. vice-president, president, Third National Bank in Nashville, Tenn.;* "New Horizons in Instalment Credit"—*J. Marvin Dodson, executive secretary, Kentucky Education Association, Louisville, Ky.*

Tuesday, March 21, morning session, 10 A.M.: *Chairman, John O. Elmer, senior vice-president, Wells Fargo American Trust Company, San Francisco, Calif.;* "Retail Banking"—*Reno Odlin, president, Puget Sound National Bank, Tacoma, Wash.;* "The Electronic Age"—*Robert W. Galvin, Jr., president, Motorola, Inc., Chicago, Ill.;* "Monetary Policy"—*M. S. Szymczak, member, Board of Governors, Federal Reserve System, Washington, D.C.*

Wednesday, March 22, morning session, 9:30 A.M.: *Chairman, Mr. Frey;* "Bank Credit Policies for 1961"—*Kenneth W. Zweiner, president, Harris Trust and Savings Bank, Chicago, Ill.;* "An Economy on Instalments"—*Charles H. Kellstadt, chairman, Sears & Roebuck & Co., Chicago, Ill.;* "The Outlook for a Dynamic Growth in the American Economy"—*J. Philip Wernett, professor of business administration, School of Business Administration, University of Michigan, Ann Arbor;* Summary: *Mr. Frey.*

Ad Material On Display

Keep an eye open for the A.B.A. Advertising Department's special display of advertising materials available for promoting all types of consumer loans, as well as displays of on-the-job and one-check-payroll material and new material developed for teacher finance plans.

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CIT Starts Shell Home Instalment Credit

Universal CIT Credit Corporation is undertaking the financing of shell homes, through lumber dealers, contractors, and building materials firms, as a form of instalment lending with terms extending up to 10 years.

Purpose: "To serve the huge market of would-be home buyers who ordinarily do not have access to traditional mortgage financing."

This brings a finance company just about as close to mortgage lending as one has come yet, and brings instalment lending another step beyond home improvement loans into the building field.

A.B.A. Makes Study of Teen-Ager Savings Habits

ALMOST half of the American boys and girls in the teen-age group (13 to 18 years) save a part of their allowances or earnings, according to a nationwide study of teen-age attitudes, opinions, and habits in respect to saving which has just been completed for the Savings Division of The American Bankers Association. Data from the study will be made available to interested A.B.A. member banks as a current guide for planning and carrying out savings promotion activities.

The study was made for the division by the Youth Research Institute in November and December 1960, and is based on interviews with a carefully selected sample of 4,318 boys and 4,187 girls from every geographical area of the country, selected on a proportional basis, by age and school seating arrangement, to parallel the actual residence pattern of the 13-through-18-year-olds as established by the U.S. Census.

The boys and girls participating in the study were asked such questions as: "Do you save anything out of your allowance or earnings? If you do, about how much per month? If you don't, why don't you? Why do you save? Where do you put your savings?"

48.6% Save for Something

The answers given by the 8,505 participating youngsters show that 48.6% of all teen-agers save something. Girls (51.1%) are better savers than boys (46.2%).

The ability and desire to save decrease as young people grow older. While 56.9% of the boys and girls in the 13- to 14-year group do save, only 41.9% of those in the 17- to 18-year group are able to put aside a part of their funds in savings.

Among the boys and girls who save, the majority are able to save up to $3 per month. Among the 13- to 14-year-olds, 18.1% said they save less than $1 per month, 24.2% reported monthly savings of between $1 and $2, and 19.4% are able to put away between $2 and $3 each month. Surprisingly, however, 11.7% said that they save between $4 and $5 monthly. Only .8% are saving over $15.

In 15-16 brackets, 13.3% save less than $1, 19% between $1 and $2, 23.6% between $2 and $3, and 17.4% report savings between $4 and $5 monthly. In this group, 1% are able to put away $15 or more each month.

In the 17- to 18-year group, 8.1% save less than $1, 10.4% between $1 and $2, 19.8% between $2 and $3, 21.3% between $4 and $5, 10.1% between $5 and $6, and 2.6% can save $15 or more monthly.

Of the total savers, 82.2% are able to save under $6 per month and about 11% can save $10 or more. More girls than boys save under $6 a month, while more boys than girls save $10 or more.

About two out of every five teenagers (42.6%) who save have accumulated a total of under $15, 66.8% of the total sample have savings of less than $35, while 22.9% have saved $50 or more. The total savings of boys and girls average about the same amounts.

Eighty-four percent of the teenagers with savings save for a reason —41.9% to buy something soon, 23.2% for furthering education, and 18.4% because they think it a good idea to have a "nest egg" or because they "like the feeling of security." A small percentage (8.4%) save for marriage or for other reasons such as travel (9%) or to buy a car (3.7%).

More than half of the young savers (54.8%) put their money in a bank. Of this group, 35.4% didn't know what kind of bank, but 13.2% said a "commercial bank" and 6.2% reported a "mutual savings bank." Other places for youngsters' savings include savings and loan associations (14.4%), U.S. Savings Bonds (6.9%), and "securities" (0.5%). About 35% of the youngsters keep their savings in cash at home.

More boys than girls were able to identify the bank in which they keep their savings. More girls save in banks. More boys keep cash at home or buy Savings Bonds.

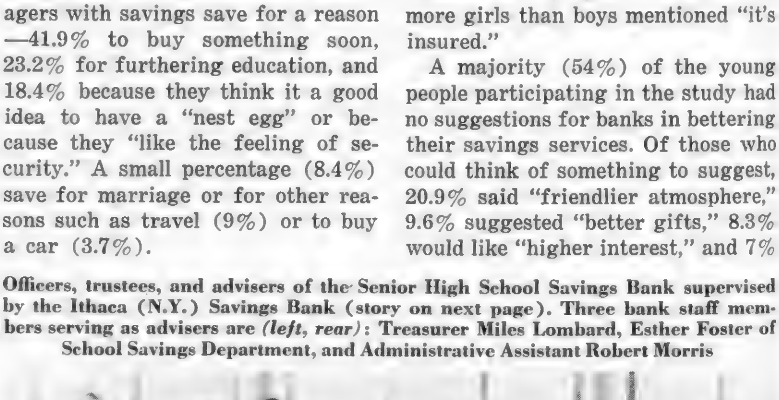
Why They Choose Banks

Among reasons why boys and girls keep their savings in a particular financial institution are: "Family and friends save there" (33.5%); "good interest" (28.7%); "it's insured" (12.4%); and "convenience" (9.7%). Seven percent of the participating youngsters said they had received their savings as a gift.

More girls than boys appear to have been influenced in their choice of a place for savings by "family and friends" and by "good interest." Also more girls than boys mentioned "it's insured."

A majority (54%) of the young people participating in the study had no suggestions for banks in bettering their savings services. Of those who could think of something to suggest, 20.9% said "friendlier atmosphere," 9.6% suggested "better gifts," 8.3% would like "higher interest," and 7%

Officers, trustees, and advisers of the Senior High School Savings Bank supervised by the Ithaca (N.Y.) Savings Bank (story on next page). Three bank staff members serving as advisers are *(left, rear)*: Treasurer Miles Lombard, Esther Foster of School Savings Department, and Administrative Assistant Robert Morris



NEWS

said such things as a "lounge, TV, entertainment, or music" would help.

Of the 51.4% of the total sample who reported that they have no savings, 39.9% said they have no definite allowance or have no money left over. Another group, 24.7%, said they cannot save because of their extensive social life and the cost of grooming, clothes, snacks, transportation, and records. Still a third group (20.2%) reported that they preferred to spend on fun, entertainment, and other things. Their attitude was "You're only young once."

A smaller percentage of nonsavers gave as their reasons such answers as: "Can't see any reason to save when you're young. . . . Saving is for people who are working and making money. . . . Don't consider savings important today. . . . Family hasn't much money. . . . There's inflation—everything's too expensive. . . . Pensions and Social Security make savings old-fashioned."

More boys than girls reported that they didn't have any money left over from their allowances or earnings, while more girls than boys gave as an excuse for not saving the cost of such things as snacks, clothes, transportation, and records. More girls than boys are also influenced by the feeling that "saving isn't important today."

A more detailed summary of the "Teen-Ager Savings Survey" is available in the form of a special *Savings Bulletin* which may be obtained by A.B.A. members without charge from the Savings Division, American Bankers Association, 12 East 36th Street, New York 16, N. Y.

Savings Conference Agenda

THE advisability of lifting the 3% ceiling on interest that banks can pay on savings deposits will be thoroughly discussed in New York on March 6 to 8 at the 58th Annual Savings Conference of The American Bankers Association. Headquarters for the meeting will be the midtown Hotel Roosevelt.

The conference program is being planned to give bank executives an opportunity to give their views on several fundamental questions concerned with management and operation of bank savings, including better savings promotion, competing for savings effectively, new savings developments, and the future of saving in banks.

To provide the greatest possible audience participation at this conference, there will be only three formal addresses. They will be by Savings Division President Gaylord A. Freeman, Jr., president of The First National Bank of Chicago; A.B.A. President Carl A. Bimson, president, Valley National Bank of Arizona, Phoenix; and U.S. Congressman Abraham J. Multer of New York, a member of the House Banking and Currency Committee.

On Monday morning, March 6, a panel will explore ways and means of making savings more profitable. In the afternoon, the session will take up new developments in savings operations. On Tuesday morning, the questions discussed will be: "Should the Savings Interest Ceiling Go?" and "What's Wrong with Our Savings Promotion?" On Tuesday afternoon, the panel subject will be "Fundamental Issues Confronting Banks in the Savings Business."

Bank Operated Student Bank in a Senior High

THE Senior High School Savings Bank in Ithaca—all of whose officers and trustees are students of the Ithaca Senior High School—came into being after school and bank officials had decided that a more adult approach (than regular school savings banking) was necessary to retain the interest of high school students in a savings program.

When a new, up-to-the-minute school was opened in September, the school bank opened under the direction of Henry W. Gredel, president, and supervision of W. Robert Farnsworth, executive vice-president of the Ithaca Savings Bank. It is located in a special room set aside for it in the student activities section of the building and is open from 8 to 8:30 on Monday, Wednesday, and Friday.

The bank's staff is composed of students and its 9-member "board of trustees" is made up of officials of the three classes at the high school. Regular passbooks are used and the operations are as nearly the same as those of a regular savings bank as it is possible to have them. The same equipment is used.

John W. Graves, vice-principal of the Ithaca Senior High School and an adviser to the school bank, is enthusiastic about the program.

George W. Arnett, president, The Trenton (N.J.) Savings Fund Society, explains the intricacies of savings to students on a tour of the bank during the annual Student Banker-for-a-Day program

Bankers-for-a-Day Program

CONTINUING its program of economic education, The Trenton (N.J.) Saving Fund Society recently held its annual Student Bankers-for-a-Day Program. **Sixteen students from eight Trenton area high schools, selected by their respective school authorities, participated in the event which was held for the ninth consecutive year in recognition of National Thrift Observance Week.**

The pupils reported to the Saving Fund in the morning and remained for the entire day during which they learned of the functions of banks in the community and in the nation as well as the significance of thrift to the growth of the economy.

Greetings were extended by President George W. Arnett. The students were luncheon guests and received a gift in addition to a kit of many A.B.A. materials on money and banking and saving. They visited the various departments and were interviewed by a local radio station and received extensive coverage in the local press.

· NEWS · Housing and Mortgages

Mortgage Lending Is a Profitable Operation for Banks

ABOUT *100 bankers from 10 states and the District of Columbia attended the Fifth Regional Mortgage Workshop of The American Bankers Association in Atlanta, Ga., last month. In addition to the prepared addresses, there was a mortgage panel on "Planning and Developing a Mortgage Program Best Suited to Your Bank." Excerpts from some of the addresses—others will be included next month:*

1961 Housing Outlook

By Dr. Gordon W. McKinley

IT seems to me that a sound approach to the housing question should begin by recognizing that:

(1) During the next few years, the demand for new housing in the United States is unlikely to average more than 1,350,000 units a year.

(2) In 1961, the traditional sources of mortgage money will supply a volume of funds sufficient to finance 1,350,000 units.

(3) An attempt by Government to push construction substantially above that level will either be unsuccessful or, if successful, will result in serious vacancy rates, widespread builder failures, and a subsequent sharp cutback in output accompanied by unemployment in the building trades and in the building supply industries.

(4) Forced draft residential construction will bring on again the upward spiral in housing costs and home prices, and will price still more families out of the new home market.

(5) The building industry is too important an industry—both in itself and because of its influence on many other industries from building supplies to home appliances—to be used as a political plaything.

I suggest that the spokesmen for the building industry reject the old, unimaginative devices of still lower down-payments, still longer maturities, and still more attempts to circumvent the allocating mechanism of the capital market. We need a new, imaginative, and practical approach by Government; and I find wide agreement among those who have studied the housing question in the United States that the focus of that approach should be on slum clearance.

If the attention of Government can be turned from outworn and increasingly ineffective gadgets to a real attack on the problem of our decaying central cities, the groundwork will have been laid not only for a more stable building industry in the years immediately ahead but for an effective response to the great surge in housing demand which we will experience after 1965.—DR. MCKINLEY *is executive director of Economic and Investment Research, Prudential Insurance Company of America, Newark, N. J.*

Mortgage Creation and Servicing

By Charles H. Robinson

UNQUESTIONABLY, mortgage creation and servicing are not appropriate functions for everybody. Some banks in industrial or business centers with heavy commercial demands are in no position to service additional business. . . .

As for the long-range opportunity, one has only to look at Census Bureau predictions of population growth and family formation. These indicate that mortgage funding in the decade ahead of us will exceed in volume anything we have witnessed in the past. Urban rehabilitation must proceed with increasing momentum if our cities and towns are to be saved from creeping blight.

Every mortgage originator should remember, for instance, that mortgages are merchandise. They are stock in trade. They must be carefully made and supported by reasonably good credit and good collateral, even though they are Government insured or guaranteed. A mortgage well made is a security easily sold, and it doesn't hurt a bit if the real estate collateral is also photogenic.

Construction

THE value of total new construction put in place in January 1961 amounted to $3.8-billion, according to preliminary estimates of the Bureau of the Census, U. S. Department of Commerce. This amount was 15% less than in December 1960, compared to a normal seasonal decline of about 13% between December and January. Spending for new construction in January 1961 was approximately the same as in January 1960.

Secondary market outlets must be sought out and cultivated. Investors may come to you in times of excess funds, but even then they won't know where to look unless you have made yourself known. This must be done by pounding the pavements, by correspondence, and by working through mortgage brokers. . . . MR. ROBINSON *is vice-president and senior mortgage officer, The County Trust Company, Tarrytown, N. Y.*

Mortgage Originating and Servicing

By Dr. Kurt F. Flexner

ONE of the most profitable areas of banking, and one which is extremely useful in building up good public relations, lies in the area of mortgage originations and servicing . . .

The process is relatively simple. Instead of refusing a customer a mortgage loan for reasons of lack of long-term funds, a bank makes the original loan. Such a loan may be in the form of a construction loan to a builder. When the project is completed, a short period may elapse until it is sold to a permanent owner. This period need also be financed with an interim or warehousing loan. Such construction and interim loans,

(CONTINUED ON PAGE 130)

Walter B. French Dies Suddenly in New York, Feb. 10

(CONTINUED FROM PAGE 93)

death, in addition to the Credit Policy Committee, he was also in charge of the Small Business Credit Committee and secretary of the State Bank Division.

Mr. French was a member of the faculty of The Stonier Graduate School of Banking at Rutgers, and the Central States School of Banking of the University of Wisconsin at Madison. He was a member of the board of directors of the New Jersey Society for Crippled Children and Adults.

Mr. French made his home at 2600 Hudson Blvd., Jersey City, N. J. and is survived by his wife Esther and his son Donald.

Governor Nelson A. Rockefeller and G. Russell Clark, New York State Superintendent of Banks and former A.B.A. executive manager, were among the honored guests at the annual banquet of New York Chapter, A.I.B. George E. Brewer, vice-president, Chemical Bank New York Trust Company and chapter president, *right*, presented Mr. Clark with the chapter's distinguished service award and conferred upon him honorary life membership in the chapter

(CONTINUED ON PAGE 126)

30th Mid-Continent Trust Conference to Be Held in Dallas, Tex., on Nov. 9, 10

The 30th Mid-Continent Trust Conference, sponsored by the Trust Division of The American Bankers Association, will be held in Dallas, Tex., on November 9 and 10, according to Trust Division President Robert R. Duncan, who is chairman of the board of Harvard Trust Company, Cambridge, Mass.

The conference will be held at the Baker Hotel. Conference host will be the Dallas Clearing House Ass'n.

CALENDAR, 1961

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American Bankers Association

Mar. 6- 8 58th Annual Savings Conference, Hotel Roosevelt, New York

Mar. 16-17 Agricultural Committee and Subcommittee on Agricultural Credit Meeting, Western Skies Hotel, Albuquerque, N. Mex.

Mar. 20-22 Instalment Credit Conference, Conrad Hilton Hotel, Chicago

Apr. 30-May 3 First National Mortgage Conference, Shoreham Hotel, Washington, D. C.

May 3- 5 Fourth Southern Trust Conference, Heidelberg Hotel, Jackson, Miss.

May 29-June 2 American Institute of Banking, Olympic Hotel, Seattle

June 12-24 Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J.

July 12-14 35th Western Regional Trust Conference, Olympic Hotel, Seattle, Wash.

Aug. 7-25 National Trust School, Northwestern University, Evanston, Ill.

Oct. 15-18 87th Annual Convention, San Francisco

Nov. 9-10 30th Mid-Continent Trust Conference, Baker Hotel, Dallas, Tex.

Nov. 13-14 10th National Agricultural Credit Conference, The Statler Hilton, Dallas.

State Associations

Mar. 22-25 Florida, Americana Hotel, Bal Harbour

Apr. 5-13 Maryland, Cruise on S.S. Hanseatic

Apr. 8-11 Louisiana, Buena Vista Hotel, Biloxi, Miss.

Apr. 13-14 Georgia, General Oglethorpe Hotel, Savannah

Apr. 26-28 Alabama, Jefferson Davis Hotel, Montgomery

May 4- 5 Oklahoma, Mayo Hotel, Tulsa

May 7- 9 North Carolina, The Carolina, Pinehurst

May 7- 9 Texas, Sheraton Dallas and Statler Hilton hotels, Dallas

May 9-10 Tennessee, Andrew Jackson Hotel, Nashville

May 9-11 Ohio, Deshler-Hilton Hotel, Columbus

May 11 Delaware, Hotel du Pont, Wilmington

May 11-13 South Dakota, Sheraton Johnson Hotel, Rapid City

May 14-16 Missouri, Hotel Muehlebach, Kansas City

May 15-16 Illinois, Sheraton-Jefferson Hotel, St. Louis, Mo.

May 17-19 New Jersey, Chalfonte-Haddon Hall, Atlantic City

May 18-20 South Carolina, Francis Marion Hotel, Charleston

May 18-20 Kansas, Wichita

May 21-23 California, Fairmont Hotel, San Francisco

May 21-24 Pennsylvania, Chalfonte-Haddon Hall, Atlantic City, N. J.

May 22-24 Arkansas, Arlington Hotel, Hot Springs

(CONTINUED FROM PAGE 99)

May 22-24 Mississippi, Buena Vista Hotel, Biloxi
May 25-27 Massachusetts, The Equinox House, Manchester, Vt.
May 26-27 North Dakota, Gardner Hotel, Fargo
June 6- 7 Minnesota, Saint Paul Hotel, Saint Paul
June 7- 8 Indiana, French Lick-Sheraton Hotel, French Lick
June 7-11 Dist. of Col., The Homestead, Hot Springs, Va.
June 8- 9 Connecticut, Equinox House, Manchester, Vt.
June 8-10 New Mexico, La Fonda Hotel, Santa Fe
June 8-11 *Nevada, Sun Valley Lodge, Sun Valley, Idaho
June 8-11 *Utah, Sun Valley Lodge, Sun Valley, Idaho
June 11-13 Idaho, The Lodge, Sun Valley
June 14-16 New York, Lake Placid Club, Lake Placid
June 15-17 Vermont, The Equinox House, Manchester, Vt.
June 15-17 Virginia, The Homestead, Hot Springs, Va.
June 15-17 Wyoming, Jackson Lake Lodge, Moran
June 16-17 **New Hampshire, Wentworth-by-the-Sea Hotel, Portsmouth (New Castle)
June 16-17 **New Hampshire Mutual Savings, Wentworth-by-the-Sea Hotel, Portsmouth (New Castle)
June 18-20 Washington, Leopold Hotel, Bellingham
June 19-21 Wisconsin, Hotel Schroeder, Milwaukee
June 22-24 Colorado, Hotel Colorado, Glenwood Springs
June 22-24 Michigan, Grand Hotel, Mackinac Island
June 22-24 Montana, Jackson Lake Lodge, Moran, Wyo.
June 23-25 Maine, Poland Spring House, Poland Spring
June 23-24 New Jersey Mutual Savings, Monmouth Hotel, Spring Lake
June 25-27 Oregon, Eugene Hotel, Eugene
July 13-14 Western Secretaries Conference, Tropicana Hotel, Las Vegas, Nev.
July 16-18 Central States Conference, Chase Park Plaza Hotel, St. Louis, Mo.
July 20-22 West Virginia, The Greenbrier, White Sulphur Springs

* Joint Meeting
** Joint Meeting

Oct. 29-Nov. 1 Iowa, Hotel Fort Des Moines, Des Moines
Nov. 2- 4 Arizona, San Marcos Hotel, Chandler
Dec. 3- 5 Southern Secretaries Conference, Hot Springs, Ark.

Other Organizations

Mar. 7- 9 Nat'l Ass'n of Mutual Savings Banks, Third Washington Conference, Hotel Willard, Washington, D. C.
Apr. 7- 9 NABW Regional Conference, Valley Ho Hotel, Scottsdale, Ariz.
Apr. 10-12 NABAC Eastern Regional, Hotel Biltmore, Atlanta, Ga.
Apr. 14-16 NABW Regional Conference, Hotel Deauville, Miami Beach, Fla.
Apr. 19 15th Annual Univ. of Tulsa Conference of Accountants, Univ. of Tulsa
Apr. 21-23 NABW Regional Conference, Skirvin Hotel, Oklahoma City, Okla.
Apr. 28-30 NABW Regional Conference, Sheraton-Plaza Hotel, Boston, Mass.
May 1- 3 Nat'l Ass'n of Mutual Savings Banks, Annual Conference, Penn Sheraton Hotel, Philadelphia, Pa.
May 5- 7 NABW Regional Conference, Olympic Hotel, Seattle, Wash.
May 19-21 NABW Regional Conference, Cornhusker Hotel, Lincoln, Nebr.
May 31-June 3 American Safe Deposit Association, Edgewater Beach Hotel, Chicago, Ill.
June 4-17 School of Banking of the South, Louisiana State Univ., Baton Rouge, La.
June 11-13 Nat'l Ass'n Mutual Savings Banks, Graduate School of Savings Banking, Brown University, Providence, R. I.
June 28-30 National Machine Accountants Association, Royal York Hotel, Toronto, Canada
June 19-July 14 School of Business, Univ. of Colo., Boulder
July 8-Aug. 5 Management Development Conference, Dartmouth College, Hanover, N. H.
Oct. 9-12 National Association of Bank Women, Sheraton Hotel, Rochester, N. Y.
Oct. 9-12 National Association of Supervisors of State Banks, Stardust Hotel, Las Vegas, Nev.

All banking associations are invited to send in dates of their forthcoming meetings for this calendar.

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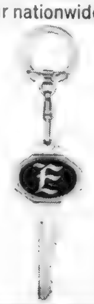

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TRUSTMEN LEARN

How to Improve the Trust "Product"

Pointers from the A.B.A.'s Mid-Winter Trust Conference

MARY B. LEACH

SNOW-BLANKETED New York's chilly welcome to the 2,310 trustmen from 43 states, D. of C., Canada, Bermuda, and Bahamas who registered for the American Bankers Association's 42nd. Mid-Winter Trust Conference at the Waldorf-Astoria didn't dim one whit the enthusiasm of speakers, panelists, and delegates. Blizzard or not, the 1961 registration was almost identical with that of last year.

From the kick-off on February 6 by Trust Division President Robert R. Duncan through the New York Clearing House Association's luncheon on the 8th the trustmen gave rapt attention to speakers and entered into panel discussions with their usual zest.

Congressman Keogh, *standing*, addresses the opening conference session. Seated, *left to right*, A.B.A.'s Executive Vice-president Merle E. Selecman; Thomas H. Beacom, Trust Division vice-president (Chicago); Austin W. Scott, Harvard Law professor; President Robert R. Duncan; Robert G. Howard, deputy manager, A.B.A.; Cecil P. Bronston, Chicago's Continental Illinois Bank; NTS Chairman Richard P. Chapman; and LeRoy Staver, Portland's U. S. National Bank

Look Before You Leap

The progress of trust institutions is almost completely tied in with the goodwill of their respective communities, said Mr. Duncan. There is no more effective way to destroy that goodwill than for a bank to accept a fiduciary responsibility and then attempt to duck out of it to save its skin, he added. He cautioned banks to look before they leap and not to back into situations which they would not enter if they had their heads up and their eyes open. "Be willing," he said, "to maintain the position which your considered policy indicates should be maintained."

Pensions for Self-Employed

Representative Eugene J. Keogh (N.Y.) pointed out that for 10 years he has been sponsoring and seeking the enactment of H.R. 10—a bill to encourage the establishment of voluntary pension plans by self-employed individuals. He outlined inequalities in the present law with this example:

The attorney who works for a corporation, earning $10,000 a year and has an additional $1,000 put into a retirement fund for him each year, is allowed to postpone payment of taxes on the $1,000 and the interest earned thereon until he actually receives the income in later years. After 30 years, assuming a 4% compounded interest rate, the retirement fund for this employee would total $58,300.

On the other hand, in the case of an attorney earning $11,000 who chooses to operate as a self-employed individual and who wishes to set aside $1,000, less taxes, each year for retirement, would have accumulated $36,900 after 30 years, assuming the same 4% compounded interest rate. This is because, after being taxed on the $1,000, he would have $740 left to set aside for retirement—and the interest on the fund would also be taxed.

"The basic purpose of my bill, H.R. 10," said Mr. Keogh, "is to remove a fundamental tax inequality which has existed for 19 years."

Opportunities for Bankers

A trust department is a necessary part of a bank operation because without it our financial department store is not complete, said Carl A. Bimson, A.B.A. president, in an address which was read in his absence. "If a retail store does not handle a certain product we need," he said, "we go elsewhere for it. Our natural tendency is to use a store which offers under one roof a variety of the products we need. The same thing is true with a bank. A bank without a trust department is at a competitive disadvantage. Over a period of time, it is apt to lose commercial business to a competitor which offers the customer this additional service for his family or for himself."

Mr. Bimson pointed out that in addition to losing a good commercial customer, the fact that the trust department is often the bank's largest depositor shouldn't be overlooked. "Great benefits can be derived from

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a close cooperation between commercial officers and trust officers," he said.

On the subject of competition between life underwriters, lawyers, accountants, and trustmen, Mr. Bimson said he favors cooperation with qualified insurance men, lawyers, and accountants.

Mr. Bimson asked how better can banks extend their opportunities for more contacts than by the encouragement of others on a mutual aid basis. . . .

National Trust School

Students in the first class at The National Trust School on the Northwestern University campus were young, which is good, said Richard P. Chapman of New England Merchants National Bank and chairman of NTS's board of regents. The largest group came from small or smaller departments; and this, too, is good, said Mr. Chapman, "because it is here that the Trust Division has its largest area of service and responsibility." Ninety-four students, or 43%, came from banks in the under $10,000,000 of trust assets category; 56, or 26%, came from departments with assets exceeding $100,000,000. "It is my own conviction," he said, "that we have just as much to offer them."

Mr. Chapman spoke of the great potential growth in the trust field and stated that "one thing remains eternally true—that our future depends on the men and women in banks who will serve trust customers. The shortage of trained people is our greatest problem, both now and for the future. . . . The National Trust School belongs to you. It was designed to help meet your training needs. It deserves your thoughtful support."

Image—Your Choice

Good management will provide continuity of quality trust services, stated William B. Hall of Detroit Bank and Trust Company. He emphasized a few elements of good management which he feels are the fundamentals of a sound human-relations, public relations program. He stated: "(1) *Written policies,* almost unheard of a few years ago, are now standard with most well-operated trust companies. Until your policies are committed to writing, they are nebulous—worthless; your staff is operating in a vacuum. . . . (2) *Successor management* can be our Achilles heel unless it is our philosophy that successor management must be an improvement over present management. The complexities of our business require it. . . . (3) *The public relations officer must be on a policy-making level.* His responsibility is to interpret the publics to management and management to the publics. He cannot do it if he is allocated to the anteroom. . . . (4) *Costing of product.* Our product must be priced right—priced to gain public acceptance. . . . (5) *Management must be demanding*—demanding of itself, demanding more of the staff than the staff would do on its own initiative. Management must reward fairly for work performed—not only in salaries, but in commendation and recognition. . . ."

Mr. Hall declared that in no other business is management as carefully scrutinized as in the trust business.

Trust Department Automation

Chase Manhattan Bank's Robert J. O'Keefe pointed out that progress in automating banks has been determined by (1) the imagination of bankers, and (2) the imagination of the product development engineers working in the labs and shops of the equipment manufacturers. He summarized his remarks on "Automation for Trust Departments" by stating:

"Banking is now in the early stages of an electronic era and is fortunate that excellent electronic equipment is available. But unfortunately this equipment is merely a tool and, if not used properly, can cause you substantial losses. . . .

"Only when used by capable and imaginative people can electronic data processing equipment help a bank achieve better operating methods at lower cost. You are far better off staying with your so-called obsolete mechanical or even manual system than you will be if you become involved in E.D.P. without knowing what you are doing. Every bank considering the use of new equipment must have people with both systems and equipment training. Whether these people are part of a big systems staff in a large metropolitan bank or a single man in a small country bank is not important; only their degree of

skill in the use of these new tools will determine your success or failure, profit or loss. . . . If you do not have these skills, you may find yourself using this new and advanced equipment to increase, rather than lower, your operating costs. . . ."

Community Economic Educator

Robert N. Hilkert of Philadelphia's Federal Reserve Bank declared that "banking may never become a profession within the technical meaning of the term" and said "I am not at all sure that it should even be an objective. The important thing is that nothing prevents us from being educated as professionals, nothing prevents us from thinking and behaving as professionals. It is the substance that counts. The goals can be as high as we wish to make them. . . ."

"There is a role the banker must play that I don't believe is clearly conveyed through description of the usual banking function," said Mr. Hilkert. "His should be the job of being an economics educator of the community. Our nation suffers from a tremendous amount of economic illiteracy. The economic facts of life are not as generally well known or understood as we should like to believe. This economic illiteracy must be attacked along many fronts. Much is being done. Much is being written. But the banker's role in his community is strategic. The citizenry wants to know more about money, credit, interest rates, tight money, loose money, gold, balance of payments, wages, prices, the discount rate, and a host of other things. They want to know the differences between national banks, state banks, commercial banks, savings banks, and savings and loan associations. They would like to know more about taxes, about government spending, about the stock market, and about bonds. . . .

"If banking is going to meet its economic and social responsibilities, bankers are going to have to play a much more active role in community education. . . ."

Investment Analysis

There is no question in my mind that the investment prizes of the coming years are going to go to those whose ears are attuned to the approaching sound of change, Samuel

H. Woolley of The Bank of New York told the trustmen. "With actually thousands of analysts combing over the securities available for investment, there will be little that is not generally known about the past or present of most of the important companies," he said. "This may require new tools of analysis. . . . Certainly, judgment and even hunches will always have a place; but I should be surprised, if as time goes on, we did not make important strides towards raising our probability factor as a consequence of the application of new mathematical concepts to the selection of the broad areas of the economy for investment, as well as to the selection of individual issues."

Dollar Shortage

The dramatic change from a chronic dollar shortage to a dollar surplus caused by the large balance of payment deficit of the U.S. during the past three years is one of the most important economic events in recent financial history, said Dr. Marcus Nadler of New York University. He asserted that "rectification of the balance of payments deficit is the most pressing problem confronting the new Administration. Upon its solution depend not only the international standing of the dollar but also the entire economic relations between the U.S.A. and the rest of the free world."

Mortgages as Pension Investment

Dr. Kurt F. Flexner, A.B.A. mortgage finance director, said that in his opinion "banks can do a great deal to help pension and trust fund administrators select mortgages for their portfolios. It has been profitable for a number of banks already to originate and service mortgages with the objective of selling them to long-term investors such as pension funds. . . . The bank can select mortgages of the kind, for example, that a long-term investor desires and then service these mortgages for him. If this idea were properly developed, and I think it will be, banks and pension funds both can benefit tremendously from the expansion of mortgage credit in the United States and the profits it will bring to those who participate."

41 Speakers from 19 States

In all, 41 people from 19 states addressed the Mid-Winter Trust Conference. Since several of the speakers participated in informal panel discussions, for which, at press time, transcripts were unavailable, it is impossible to include excerpts from the remarks of all speakers. However, in "BANKING's Investment Forum," page 4, may be found some additional quotations on investment topics. All speeches will be covered either in digest form or in their entirety in future issues of the A.B.A. *Trust Bulletin*. Some additional excerpts are presented below:

Developing Corporate Business

The above theme was developed by Continental Illinois Bank and Trust Company's Ray F. Myers.

The first step, Mr. Myers said, is a determination of whether corporate division needs to improve its new business effort. He pointed to complacency as a reason why corporate accounts often disappear.

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The second step, an honest answer to the question of whether the bank is prepared to handle efficiently the corporate business it is soliciting. "A candid look at your organization," he said, "will reveal whether you have the know-how not only to handle the business but to assist your customer in developing a workable, practicable plan."

As to where to go to find people who are in need of corporate trust services, Mr. Myers suggested that "one worthwhile approach is the examination of plans for public works in your community . . . ; another fertile field in recent years has been the close-held corporation which has gone public . . . ; a third possibility lies in being named co-transfer agent for companies which are listed on the New York Stock Exchange and hence already have facilities in New York City . . . ; mergers and acquisitions which are so prevalent are another source."

When it comes to salesmen to sell corporate trust business, Mr. Myers pointed to the bank's present personnel, including commercial officers; customers; investment bankers in the community; attorneys and accountants; the bank's directors; and the regional stock exchange.

He had a good deal to say on "the importance of creating good salesmen." He suggests staff meetings of top people, including the chairman and president, directors, *et al.* He advocates an educational program to show these top people what it would mean to the bank to get new corporate trust business when it comes to new business for other departments, in earnings, etc.

Trust Education

James F. English, Jr. of The Connecticut Bank and Trust Company delved into the educational facilities available to trustmen through the A.B.A.'s A.I.B., National Trust School, and S.G.S.B. "These industry-sponsored schools," he said, "have a long record of useful service to the trust business and will, no doubt, continue to be of the very greatest importance."

He raised the question, in view of the complete lack of formal education in trust work in college and university curricula, as to whether trustmen should encourage one or more colleges or professional schools to establish a well-rounded, full-time curriculum which combines the relevant segments of the legal and financial disciplines.

"Our calling," he said, "may not yet be a sufficiently well defined profession to draw very many aspirants at the college or graduate school level. Our people tend to back into their trust careers. . . ."

Mr. English feels that "it still might be possible for some of our well established law or business schools to broaden their existing curricula slightly so as to give the prospective trustman at least a glimpse into the other areas of trust work"—legal and investment. He is of the opinion that the independent colleges and schools could never entirely solve the trustman's educational problems.

Equal Justice for All

Whitney North Seymour, president of the American Bar Associa-

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tion, emphasized the importance to the nation of having all the people who go into court for one reason or another feel that equal justice is meted out to one and all. ". . . if their exposure to courts makes them feel that courts are unfair, that judges and attendants are rude and don't listen, that politicians and their friends can influence the result of cases, or even that judges ride roughshod over grievances and force settlements because they don't want the burden of deciding cases, they feel insecure and they may develop a suspicion and hatred for our system which can cut very deep," said Mr. Seymour. "Such people," he added, "can become ripe for the blandishments of demagogs who attack government and private or corporate property rights; they may look with suspicion on rights in property because they regard property owners as unfairly favored over them; they can become an Achilles heel in our society. . . .

"It behooves all of us . . . to make sure that the administration of our courts everywhere is as good as it can possibly be."

Trustee and Investment Adviser

The use of investment advisers is not necessarily to be avoided at all costs, concluded Peter J. Brennan of Harris Trust and Savings Bank. "This may be the only way to accomplish the settler's objectives," he said, "and the adviser can be helpful to the trustee in many situations. But the use of the investment adviser, particularly one having power of direction, should not be lightly or inadvisedly invoked. The alternatives should be considered to see if one of them will serve as well. Trustees must be ever mindful of all of their fiduciary responsibilities and the potential problems and liabilities."

Science and Technological Change

Scientific knowledge is doubling about every nine years; technological effort is doubling about every 10 years; more advances have been made in science in the past 50 years than in all preceding history; and 90% of the scientists who ever lived are probably alive today—an indication of the vast increase in scientific knowledge which lies ahead, Dr. James R. Killian, Jr., famed Massachusetts Institute of Technology chairman, told the trustmen.

Dr. Killian ended his address at the New York Clearing House Association luncheon:

"I feel that financial management and technology, working in double harness, face an array of challenges beyond those directly concerned with our economy and that they have immense responsibilities to serve the human needs of our people. To keep our environment humane, to make our highways and airways safe, to reconstruct our cities where they have become blighted or strangled, to provide adequately for 50 or more million additional people in the next 20 years, and at the same time to provide us with a strength to deter war and keep the peace—here are immense national tasks of the highest priority—tasks requiring all of our national skills but which particularly require boldness of management and administration coupled with an audacious and advancing science and technology."

1⑆123⑆456⑆7⑈

BANK-PROVED PRECISION:

NEW BURROUGHS MICR IMPRINTER-ENCODER

Already proved in major banks, the new Burroughs T-128 MICR Imprinter-Encoder has been perfected specifically to give you on-premises E13B encoding that's fast, economical and — above all — precise. Precise printing tolerances, precise ink output and precise fulfillment of every other ABA specification.

In action on your premises, Burroughs Imprinter-Encoder quickly gives you quantity-controlled production of prequalified checks and deposit tickets for: emergency orders • special accounts • small-volume accounts • new accounts.

Look into this latest banking advance from Burroughs —only firm with the integration and diversification to provide every step in automation from checks to electronic computers. Call your local Burroughs-Todd office for details on the T-128 Imprinter-Encoder. Or write direct to THE TODD COMPANY DIVISION, ROCHESTER 3, NEW YORK.

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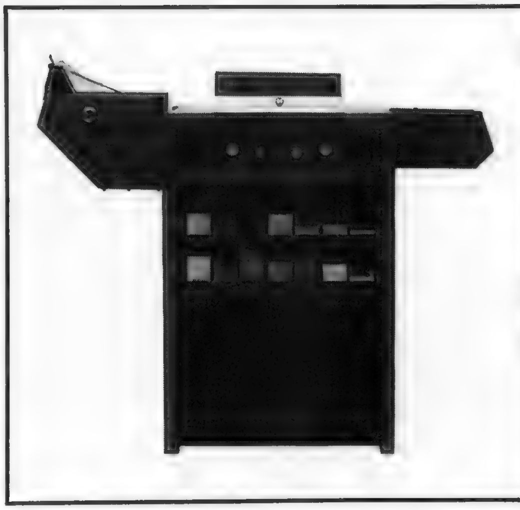


Burroughs Corporation

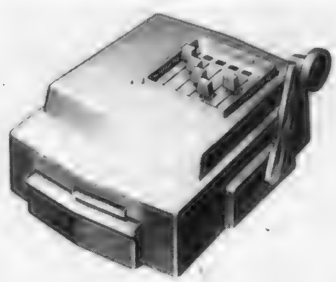
"NEW DIMENSIONS / in electronics and data processing systems"

WHAT'S NEW

IDEAS | SYSTEMS | BOOKLETS | PRODUCTS

This department is compiled by ETHEL M. BAUER *of* BANKING'S *staff. Mention in this column does not constitute endorsement by the American Bankers Association.*

ANNOUNCEMENT of the *Source Data Recorder,* a device that eliminates a major bottleneck in credit card transactions, has been made by **Datanamics, Inc.,** of **Canoga Park, Calif.** A compact, lightweight, simple unit, the Recorder imprints and punches



IBM cards at point of origin in preparation for automatic machine accounting.

MOVABLE office partitions have been added to its line of manufacture by **Stelzer Moldings, Inc.,** of **South Bend, Ind.** Fully flexible, easily installed and rearrangeable, the *Marlite* panels with honeycomb core and walnut grained plastic finish are

framed in satin-finished aluminum. They connect to aluminum posts by means of a locking device. Require neither skilled labor not special tools for installation.

AN EASY-TO-READ calculator for quickly determining interest rates on savings accounts or loans has been developed by the **Paul S. Morton Engineering Service.** The calculator is set up to figure the interest due for from one to 30 days, for one to six months, as well as for one year. Made of life-time vinyl plastic, in an easy-to-carry 4½″ x 11″ size. For additional information write to **5131 Meadowlark Lane, Kalamazoo, Mich.**

Dupli-graph, a new hand operated duplicator has been announced by **Identification Systems Co., 246 Fifth Ave., New York 1.** The duplicator is used for small quantity printing of graphic material (in printer's colors) on all types of surfaces from onion skin paper to heaviest card

stock, including objects up to 12″ in height. A full brochure showing actual samples and suggested uses is available from the manufacturer.

Klearsite, transparent vinyl jackets for savings books are now available from **Savings Specialties Company, 53 West Jackson Blvd., Chicago 4, Ill.** Jackets come in transparent vinyl front with translucent back. Opaque colored vinyl back in red, navy or tan may be substituted for the translucent back and can be imprinted in gold or metallic color.

BOOKLETS

Omnitronics, Inc. has prepared a new bulletin on a photoelectric tape reader. The reader incorporates the use of chopped reflected light to achieve reliable tape reading and stability of operation. Details are provided in **Bulletin PTR-7.** Write to 511 North **Broad St., Philadelphia 23, Penna.**

A NEW, convenient, pocketbook-sized handbook which clearly and thoroughly explains employee benefits under the recently amended Social Security Act, effective in 1961, has been announced by **Commodity Research Publications Corp.,** 82 **Beaver St., New York 5, N.Y.** To obtain a copy, write to the publishers on your company letterhead.

A 16-PAGE, 2-color brochure of interest to users and prospects of photocopying machines and photocopy papers will be sent free on request by **Haloid Xerox, Inc.** Write to **M. E. Harris, Dept. 222, Rochester 3, N.Y.**

Protecting a Vital Building Service is a 24-page booklet available, free upon request, from the **Otis Elevator Company, 260 11th Ave., New York 1, N.Y.** The booklet shows how building values are protected by elevator maintenance.

A NEW farm equipment division catalog (TL-2304) is a pocket-size piece of literature covering the **Allis-Chalmers** 70 and 80 Series plow, and the new 370 Series. Write to **Box 512, Milwaukee 1, Wis.**

How to Measure Time . . . With Tape is a new pamphlet to help dictating machine users get the most out of the new magnetic type of dictating machines. Just released by the **De-Jur-Amsco Corporation,** the booklet can be obtained free of charge by writing to the **Business Equipment Division, Dept. TWT-P, 45-01 Northern Blvd., L. I. C. 1, N.Y.**

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C. W. Adamson
Treasurer
Northwestern Mutual Life
Insurance Company
Milwaukee, Wisconsin

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Electronic Banking

(CONTINUED FROM PAGE 47)

semi-automatic bookkeeping machines, to be integrated into the eventual electronic system.

THE FIRST NATIONAL BANK AND TRUST COMPANY of Tulsa has ordered an advanced MICR system for installation this year.

NEW BRITAIN (Conn.) TRUST COMPANY is adding components to its automatic bookkeeping procedures.

THE DETROIT BANK AND TRUST COMPANY, which has installed "more sophisticated machines for some operations," expects to intensify this effort in 1961.

UNION COMMERCE BANK, Cleveland, reported the systematic installation of electronic equipment.

AMERICAN NATIONAL BANK AND TRUST COMPANY, Chicago, expanding its electronics space, plans an installation costing about $2,000,000, including equipment to handle checks.

MANUFACTURERS NATIONAL BANK, Detroit, has added a reader-sorter to its computer.

THE CHASE MANHATTAN BANK, New York, will centralize processing and bookkeeping of all checks drawn on the bank at its new head office building. Automatic paper handling equipment and high speed computers will be used. Complete conversion to the new system is expected in 1964. The bank also plans to use a computer in stock transfer operations.

NATIONAL BANK OF DETROIT has ordered data processing equipment for delivery this year.

BALTIMORE NATIONAL BANK, already well along with modernized bookkeeping, will soon install a master sorter.

FIRST NATIONAL BANK OF TAMPA'S report featured the new data processing control center—one page of pictures, one of text.

PITTSBURGH NATIONAL BANK, reporting "substantial progress" toward full data processing, recorded installation of a sorter-reader.

THE FRANKLIN NATIONAL BANK OF LONG ISLAND, N.Y., told stockholders that it had "just about completed" the shift of all checking accounts to MICR.

LASALLE NATIONAL BANK, Chicago, reporting first steps toward a comprehensive accounting system, warned that no saving could be anticipated in the preparatory phases or early months of automation.

AMERICAN FLETCHER NATIONAL BANK AND TRUST COMPANY, Indianapolis, noted steady progress in its program for advanced automatic data processing. It expects to have a computer functioning in the first quarter of this year and to install another near mid-year. The bank has as automation center in one office.

HARRIS TRUST AND SAVINGS BANK, Chicago, has converted all checking account bookkeeping and statement preparation, a large part of trust department accounting, and all savings bookkeeping.

A Visit with Erle Cocke

(CONTINUED FROM PAGE 52)

agement receive the most publicity. Perhaps the best evidence of the type of management that exists in American banking is the comparatively small number of insured banks which have required financial assistance from the FDIC during its 27 years of existence."

Mr. Cocke's Other Interests

Sound banking is indispensable to maintaining a sound dollar—a subject of much discussion around the world today. Apart from his concern with domestic banking, Mr. Cocke long has shown an interest in international finance and economics. At the Bretton Woods Conference which designed the World Bank and International Monetary Fund in 1944 and the Fund and Bank's inaugural meeting at Savannah, Ga., in 1946, Mr. Cocke officially represented Senator George of Georgia. In 1958, while a member of the FDIC, Mr. Cocke attended the Fund and Bank meeting at New Delhi, on that occasion circumnavigating the globe.

A veteran of World War I, Mr. Cocke was national vice-commander of the American Legion (1922-23). In Georgia he served as a state senator (1927-28) and later held numerous posts in local and Federal organizations, before becoming a commercial banker in 1938.

"Will you please pay attention? I said, give me ten fives, five tens, one twenty and twenty ones"

Gold-Holding

(CONTINUED FROM PAGE 51)

not be dissipated by private capital movement into gold abroad. Although the Treasury had not regarded that movement as dangerously large, it felt that under unpredictable future circumstances the movement could become troublesome. Also, some officials felt, the open loophole favored the wealthier individuals.

The Amount Involved

One private commentator estimates that more than $1-billion of gold is held abroad by American residents; that, of this, more than half is owned by American corporations. The Treasury officials responsible for the order, on the contrary, believe that most such American-owned gold abroad is held by wealthy individuals; moreover, that such individuals will not wish to incur the penalties cited above and will obey the order.

Although one private authority predicts that new gold purchases abroad by Americans will continue *sub rosa*—that new systems will be devised and function—it would be reasonable to expect a substantial percentage of today's American gold holders to comply with the executive order. Most Americans are law abiding. Most of the gold hoarders will not wish to risk the penalties. And the governments of the major countries concerned may be expected to cooperate with the enforcement authorities of the U.S., as called for by the statutes of the International Monetary Fund. Possibly not all Fund members will give the same cooperation as Britain and Canada. Switzerland, staunch defender of banking secrecy and not a Fund member, certainly won't help the U.S. in this matter. Some Americans, therefore, may continue to hold gold in Switzerland or even succeed in transferring gold from some other foreign country to Switzerland or another haven.

Not 1933 Again

While the 1933 measures against gold hoarding were a prelude to an increase in the official price of gold and devaluation of the dollar, circumstances today are quite different and the January order was not motivated by any such intention.

(CONTINUED ON PAGE 120)

(CONTINUED FROM PAGE 118)

It would be jumping to an unwarranted conclusion to say that the gold order is a prelude to exchange control. If the order had not been issued and if later a heavy capital outflow for investment in gold were to have developed, exchange control might have been required. Thus the January gold order, to the extent that it succeeds in its purpose, will tend to lessen any likelihood of future exchange control by the U.S. Government.

A "Theoretical" Loophole

The spirit of the January gold order may be evaded if gold hoarders sell the metal and invest the proceeds in gold-mining shares, on the theory that gold in the mine is the next best thing to gold bullion or coin. Indeed, the promulgation of the President's order was immediately followed by a strong demand for gold mining shares in London, Johannesburg, and elsewhere. Mine owners and speculators interpreted the Washington move as encouraging. The *Financial Times* of London, editorially long a spokesman of the gold miners' hopes, resumed its advice that the U.S. raise the price of gold, "in collaboration with other countries . . . forthwith." (With links to the gold-mining industry through interlocking directorships, the *Financial Times* for years has propagandized for a higher price of gold.)

But there is no sign that Washington will follow the gold miners' advice in the foreseeable future. Despite the usual handful of gold-subsidy bills introduced by mining state representatives in the 87th Congress, the Kennedy Administration seems to stand pat on the gold policy of its predecessor. In Senate hearings in January the present Treasury Secretary, C. Douglas Dillon, testified: "I think we can and will bring our balance of payments into balance, and we will be able to—without any trouble and without any doubt—maintain the value of our dollar at its present value in gold of $35 an ounce."

Among measures introduced in the House this year are bills to raise the price of newly mined domestic gold to $70 and bills to authorize a free market for gold within the U.S.

U.S.-British Agreement

After the rapid climb in the free market price of gold in London in October the U.S. and UK reached an understanding whereby in effect Britain can draw on the U.S. Treasury's gold stock to meet hoarders' demands in the London market if adequate amounts of newly mined South African or other gold is not available for the purpose. Prior to President Eisenhower's January gold order, therefore, U.S. Treasury gold was being used in London in part to supply the demand of American residents and citizens sending capital from here. On June 1 this possibility will cease to be legally open for Americans. At this writing, however, the U.S.-British gold arrangement alluded to above continues in effect. The Bank of England still may buy gold here at $35 an ounce to meet the demands of hoarders and others on the London market. Indirectly, the U.S. continues to supply gold to foreign hoarders.

An Inconsistency

Although the January Executive Order prohibits Americans from holding gold abroad after May 1961, since the above-mentioned understanding between the Bank of England and the U.S. Treasury continues in effect, U.S. monetary gold out of official stocks continues to be available for sale to foreign hoarders in the London market. It is reasonable to ask why, if Americans are not free to buy such gold, U.S. gold should continue to be sold to non-American hoarders through the Bank of England, as is now the

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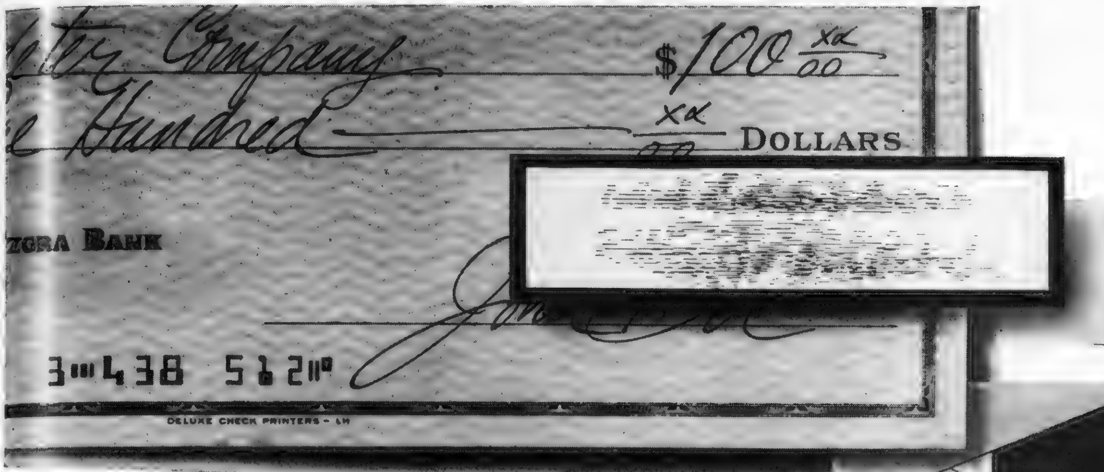


Another "First" from RCA . . . *SignaGuard*

Instant Signature Verification

With Utmost Security... Without Card Files

With new RCA SignaGuard, tellers can verify signatures in a fraction of the time presently required. Moreover, verification is accomplished with utmost security for both bank and depositor. SignaGuard may be utilized effectively at home office, branch or drive-in.

The procedure is simple. The customer's signature is placed in a master RCA SignaGuard *Encoder* which "scrambles" the original signature and prints it in your bank's private code on passbook or checking account identification card. This is done only once.

When the customer presents a withdrawal slip or check to be cashed, the passbook or identification card is placed in an RCA SignaGuard *Decoder* which "unscrambles" the coded signature and restores it to its original form for instant comparison with the signature on the withdrawal slip or check.

RCA SignaGuard not only offers utmost security; it speeds up service, shortens waiting time in teller lines and reduces operating costs by eliminating signature file cards and the space required for cabinets, as well as the time consumed in filing and searching.

RCA SignaGuard validates accuracy of input—mechanical, manual and electronic data processing systems.

For full details, write Electronic Data Processing Division, Radio Corporation of America, Camden 2, New Jersey

The Most Trusted Name in Electronics

RADIO CORPORATION OF AMERICA

Place customer's signature in RCA SignaGuard Encoder. Signature is "scrambled" and emerges as a printed code on identification card or passbook.

Quick, positive identification is provided when teller places coded card in RCA SignaGuard Decoder which unscrambles the signature and shows it in its *original form* instantly.

RCA SignaGuard Decoder utilizes an advanced optic technique which scientifically reorients the original signature . . . then decodes it with complete clarity.

(CONTINUED FROM PAGE 120)

case? It is a safe bet that the British authorities have not used and will not use any of their official gold reserve to keep down the price of gold on the London market, should U.S. gold cease to be available.

Presumably, the June 1 deadline was put in the January Executive Order to avoid the appearance of panic on the part of the Government. Yet it might have been wiser to have named a much earlier deadline and to have terminated immediately the arrangement to supply U.S. Treasury gold to hoarders through the London market. If on the one hand such a decision had been followed by a demand for gold on the part of foreign hoarders, such a demand would have given American holders of gold abroad a chance to sell—in keeping with the order—under advantageous conditions. If it is official U.S. policy to use monetary gold in the settlement of only official international transactions, continuance of the October understanding with the Bank of England, involving the sale of Treasury gold abroad to hoarders is inconsistent.

The Fading Gold Standard

The January gold-hoarding prohibition carries the U.S. one step farther away from the gold coin standard as it existed here up to 1933. The gold coin standard made possible a public flight from the dollar into the yellow metal within the U.S. After 1933, to the knowledgeable, such a flight from the dollar still was possible, but only through the exportation of capital into gold held outside the U.S. After 1933 confidence in the dollar was rebuilt, however, and few persons sought a foreign refuge for their capital. The widely advertised U.S. balance-of-payments problem, however, has served to call attention to the loophole now being closed by the January order.

While Americans and residents of this country may not hold gold abroad after May 1961, the egress of capital has not been closed. It is still possible to flee from the dollar into gold mining shares, foreign currencies, or other investments abroad. Such possibilities are entirely legal. They can be closed only by exchange controls, which, the world's experience shows, are never completely effective.

Good Year For Banks Predicted

LOOKING back on last year's forecasting of the "Soaring Sixties," Saul Klaman of the National Association of Mutual Savings Banks said, "Seldom have so few misled so many by so much."

This may be true for some industries, but not for banks. In fact, banks were one of the very few segments of our economy which lived up to expectations, with most of them showing gains of 10-15% in net operating earnings. In 1961 forecasters generally have been a rather tight-lipped lot, but there appears to be a possibility that banks may nearly repeat their 1960 performance. The current *Value Line Investment Survey* says "we do not look for a drastic further decline in prevailing yields," and goes on to substantiate its view with the following two reasons:

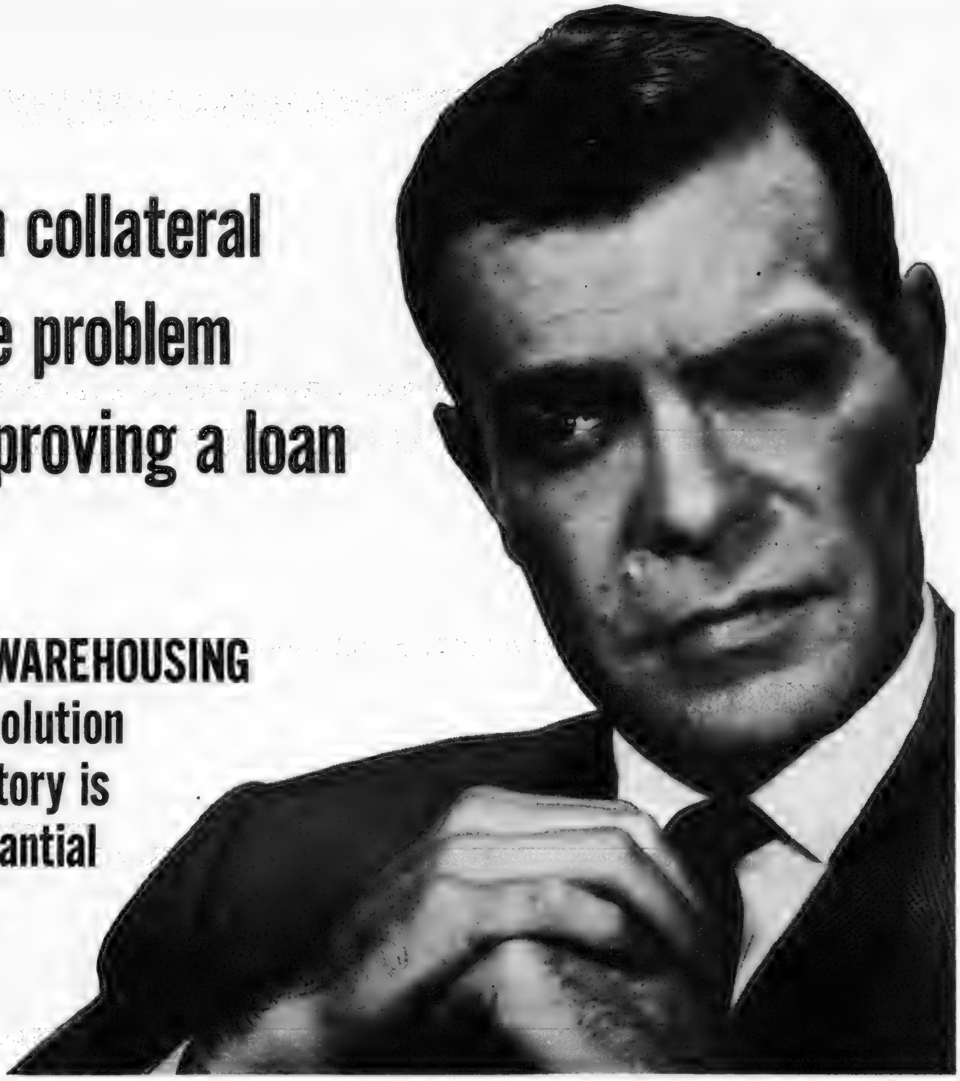
Mild Recession

First of all, it agrees with the consensus that we are in a mild recession and not "re-entering the Keynesian world of continual under-utilization of resources," as some have stated.

Secondly, although the new Administration is committed to low interest rates, it cannot force "easy money" by artificially pegging bond yields. This would further undermine the dollar by the threat of inflation and a speedup of the outflow of gold and short-term investment funds to areas of higher returns.

Declines Offset

Any decline in average yields "should be largely if not completely offset by an expansion in total earnings assets," the article states. It adds that the greatest declines will be suffered by "wholesale" institutions (mostly in New York) concentrating on short-term business loans. Banks in other parts of the country whose loan portfolios consist to a great extent of long-term residential mortgages and consumer instalment loans (where the average yield on total existing portfolios is still rising as a result of the run-off of low yielding older loans) may, in some cases, equal or possibly even slightly exceed their 1960 earnings.



Banking News

(CONTINUED FROM PAGE 99)

Trust Division Completes 175-Page "Trust and Estate Legislation" Text

Includes Approved Legislation and Statutes Listed for Information

Trust and Estate Legislation, a 175-page text, has been published by the Trust Division, A.B.A. It is the product of several years of research by the division's Committee on Fiduciary Legislation, which had the assistance of the members of the Trust Legislative Council in each of the 50 states. The research involved searching the statutes of every state, and appropriate citations are given for each subject covered.

The statutes are grouped in two classifications: (1) Approved legislation—those statutes which over the years have been considered to have sufficient merit to entitle them to be recommended for adoption in jurisdictions where a need exists for legislation on the subject; and (2) Statutes Listed for the Information of Trustmen—statutes that cover subjects which are frequently of interest to trustmen, listed as a help toward rounding out gaps in the legislative program of various states.

In addition, the book contains a section giving in brief resume a number of subjects which have been considered by the committee but on which statutes have not been prepared.

Staver, Barclay Headed Work

LeRoy B. Staver, vice-president and executive trust officer, U. S. National Bank, Portland, Oreg., was chairman of the Committee on Fiduciary Legislation while the book was in preparation, and George C. Barclay, former division president, put the material into its present form.

The book is published in looseleaf form so that additions and revisions in statutes affecting trusts may be made easily. Copies may be ordered from the Department of Printing, A.B.A., 12 E. 36th Street, New York 16, N. Y. Its cost, is $5. A special heavy-duty binder with leatherette cover is available at an additional $5.

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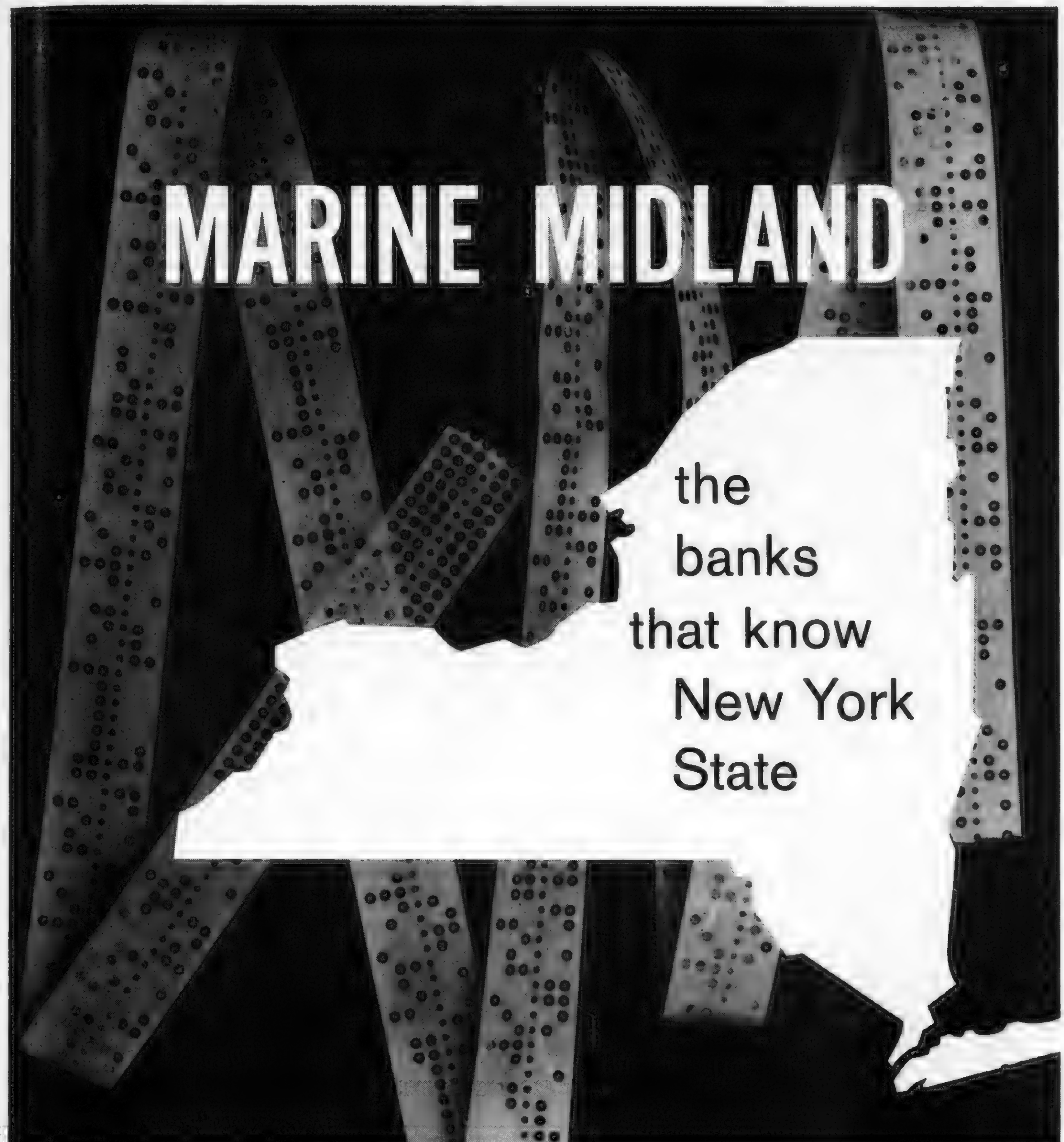

Communication is fast among Marine Midland banks. One reason is that these banks are connected by a private, state-wide communication network. This wire system provides fast, accurate and confidential transmittal of facts and figures. Let this unique Marine Midland communication network benefit you.

The Marine Trust Co. of Western New York — *Buffalo* • The Marine Midland Trust Co. of New York — *New York City* • Genesee Valley Union Trust Co. — *Rochester* • Marine Midland Trust Co. of Southern New York—*Binghamton-Elmira* • Marine Midland Trust Co. of Central New York — *Syracuse* • Marine Midland Trust Co. of the Mohawk Valley — *Utica* • The Northern New York Trust Co. — *Watertown* • Chautauqua National Bank of Jamestown — *Jamestown* • The Manufacturers National Bank of Troy — *Troy* • The First National Bank of Poughkeepsie — *Poughkeepsie* • Marine Midland Trust Co. of Rockland County — *Nyack*. MEMBERS FEDERAL DEPOSIT INSURANCE CORPORATION

New York State's First Family of Home-Town Banks
11 Banks With 179 Offices Serving 103 Communities

(CONTINUED FROM PAGE 126)

A.I.B. Sets All-Time High in Mid-Year Class Enrolment and Membership

The American Institute of Banking, educational section of The American Bankers Association, has set another all-time high in midyear membership and enrolments, according to Miss Dudley Cooney, of The Citizens and Southern National Bank, Augusta, Ga., who is chairman of the A.I.B.'s National Membership and Enrolment Committee. The membership figures for the Institute set a mid-year record high for the 14th consecutive year, Miss Cooney pointed out.

The membership of the A.I.B. on January 1, midpoint of its scholastic year, was 155,048, with 63,212 enrolments in A.I.B. classes. This membership compares with 151,042 at the same time last year. There were 60,273 enrolments on January 1, 1960.

The committee reported that, during 1960, eight new Institute chapters were formed, bringing the total A.I.B. organizations to 317 chapters, 196 study groups in as many cities and towns, and 2,864 correspondent students.

A.B.A. Will Hold Two March Management Leadership Seminars for Smaller Banks

The Bank Executive and Staff Development Committee of The American Bankers Association has announced that two additional seminars for banks with from $2- to $25-million in deposits on "Effective Leadership in Bank Management" will be held March 5-8 in the Muehlebach Hotel at Kansas City, Mo., and March 19-22 in the Leamington Hotel at Minneapolis, Minn. The announcement was made by William L. Butcher, chairman of the Committee and chairman of the board, The County Trust Company, White Plains, N. Y.

These seminars are part of a series started in October 1960. Applicants for the Cleveland, Chicago, Philadelphia, Boston, and Atlanta seminars all exceeded attendance limitation. Sessions were held in February in Dallas, Tex., and New Orleans, La.


LAWRENCE SYSTEM

Housing and Mortgages

(CONTINUED FROM PAGE 98)

however, should be made with a takeout or standby agreement which assures the originator of the availability of long-term investment capital. When the originating bank sells these loans to long-term investors, it should, however, retain the servicing. This has become a profitable business and an important source of income for a growing number of banks. Equally important, however, is the fact that the retention of servicing creates for the bank important goodwill and becomes a source of free public relations. The bank retains its relationship with its customers, many of whom then use the bank for other purposes.

Those banks that fail to take advantage of the tremendous opportunities in mortgage lending will find their competitors becoming ever more important in the community with their own growth and prosperity impeded. In entering the mortgage lending field or in planning to expand it, a bank should follow several relatively simple steps:

(1) Get the best man possible to take over the function. Profits and growth depend upon skill and knowledge.

(2) Develop permanent relations with long-term investors such as pension funds, savings banks, or insurance companies.

(3) Build up a mortgage portfolio designed for sale to long-term investors and, consequently, become acquainted with the needs of your long-term investor relationships.

(4) Reduce the costs of servicing by taking over the servicing of other banks which are too small to do their own servicing or unwilling to do it, and buy the best equipment in line with your size, program, and plans.

(5) Remember that banking is a business involving buying and selling and in order to succeed, it must always be aware of the needs of its customers.

—DR. FLEXNER *is director of the Mortgage Finance Committee, A.B.A., New York.*

The Large Bank As a Full-Service Community Bank

By Lowell C. Klug

I KNOW of no other bank service that lends itself to a more personal, friendly, and long-lasting relationship than the home mortgage loan. It provides the opportunity to know the entire family—to invite, obtain,

(CONTINUED ON PAGE 132)


R O Y A L

(CONTINUED FROM PAGE 130)

and retain its entire banking requirements. It provides the opportunity for a complete public relations job and the developing of contacts with all individuals related to the transaction . . .

Now, what are the tools and methods to do this job of residential mortgage lending?

The first step is knowing—being well informed; acquiring a practical understanding not only about the mechanical details of the business, which as you know is essential, but knowing what is going on in the community; getting to know builders, brokers, governmental agencies, as many individuals as possible that are interested in all phases of building, selling, and financing. We have made every effort to make our entire staff and branch system knowledgeable. We provide them with a constant flow of a variety of material to read. We maintain active memberships and participate in the activities of The Milwaukee Board of Realtors, The Greater Milwaukee Builders Association, and the local and national mortgage bankers associations. We have had a very gratifying experience in that acquiring knowledge from outside contacts we also acquire, retain, and maintain bank relationships not necessarily at all related to the origination of a mortgage loan. These are collateral benefits that are immeasurable but nonetheless valuable.

We have attempted to personalize in every way the mortgage loan transaction, and with enlightened self-interest we make every effort reasonably possible to acquire accounts and sell other bank services from the time of interviewing to closing and forever after.

We have made every effort in the development of our investment program to remain consistently in the mortgage market in our area. We have not sought to dominate, for in our opinion this would very likely be impractical, if not impossible. We have made no effort to give away our services by undercutting our competition, but rather we strive to improve our procedures, techniques, and customer handling, expecting to derive an income commensurate with the services rendered.—MR. KLUG *is vice-president, First Wisconsin National Bank, Milwaukee.*

News for Country Bankers

(CONTINUED FROM PAGE 78)

standard processing machines which are capable of tabulating the input and translating the machine language back into man language, for billing and other conventional purposes.

Census of Agriculture

THE Bureau of the Census (U.S. Department of Commerce) has released a preliminary 48-state summary of the 1959 Census of Agriculture. It shows, among many other things, that there are now 3,703,642 farms in this country, based on the new 1959 census definition of a farm. The 1959 count is 1,079,000, or 23%, lower than in 1954, and the smallest number of farms reported by any Census of Agriculture since 1870. The report points out that of the 1,079,000 decrease, 232,000 is due to the change in definition of a farm. The preliminary figures also show that the acreage of land in farms dropped about 38,000,000 acres, or 3% during the last five years. For copies write to the Public Information Office, Bureau of the Census, Washington 25, D. C.

Wachovia Bank Adds Another Farm Expert—J. W. Pou

DR. J. W. (JOE) POU, formerly head of the Animal Industry Department of the North Carolina State College and more recently director of the Agricultural Extension Service for the State of Arizona, has been named manager of the Wachovia Bank and Trust Company's Agricultural Department in Greenville.

Wachovia began operating offices in 13 northeastern communities which are predominantly agricultural last May on its merger with Guaranty Bank and Trust Company in Greenville. Dr. Pou will work with Wachovia officers throughout the area in adapting credit standards to the changing needs of farm customers. He will also devote considerable time to encouraging expansion of processing and marketing facilities for farm products.

Reared on a North Carolina livestock farm, Dr. Pou was graduated from N. S. State and earned a master's degree at the University of Wisconsin, and his doctorate at Cornell University.

At the annual Banker-Farmer luncheon of the New Jersey Bankers Association in Trenton, R. G. Macgill, NJBA president and executive vice-president, First Trenton National Bank presents B. F. Ramsburg, acting state 4-H Club leader, with a check for $500. The check will be used to defray the expenses of New Jersey 4-H winners to the National 4-H Club Camp in Washington, D. C.

Financial Statements

"I BELIEVE that we, as bankers, can do a better and more thorough job for our banks and make a sounder loan and more profitable one for our farm customers by requiring and analyzing the balance sheet and income statement of the man in agriculture," said Edward H. Smoot, senior vice-president, The First National Bank of Florence, Ala., in an address given at the Agricultural Credit Conference of the Alabama Bankers Association. After getting the first statement, Mr. Smoot feels "it is particularly important that continuing statements from period to period be required."

The First National Bank finds that requests for statements sent through the mail are effective.

"The first mailing," he said, "should contain a letter of explanation of what is being required and copies of the financial statement to be completed. The bank will receive back a surprisingly large number of satisfactorily completed statements from the mailing. A still larger group will come to the bank and ask for assistance. In this event, the bank should offer every assistance and prepare the statement in duplicate in order that the customer may have a copy for his files. A second mailing is usually necessary and will accomplish fine results. The few remaining customers who have not complied may be approached individually."

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About Banks

BANCO DE PONCE, Puerto Rico, is the first bank to file for New York branches under that state's new foreign branch banking law. Under application to convert two New York agencies into branches, the bank hopes to service not only many of the 700,000 Puerto Rican citizens in the metropolitan area, but also mainland companies which maintain plants or affiliates in Puerto Rico, according to the bank's president, Roberto de Jesús Toro.

FRANK L. KING, chairman of Firstamerica Corporation, announced Federal approval of the merger of CALIFORNIA BANK and FIRST WESTERN BANK. This allowed the actual merger and creation of a statewide banking chain known as UNITED CALIFORNIA BANK to take place in late February. MR. KING, board chairman of CALIFORNIA BANK, continues as chairman of the new institution in Los Angeles and as chief executive officer, with CLIFFORD TWETER as president. FRANCIS S. BAER, FIRST WESTERN chairman, becomes UNITED CALIFORNIA chairman for San Francisco, which will be the center for autonomous direction of the activities of the northern district of the bank.

Fifty of FIRST WESTERN'S offices will join 70 offices of CALIFORNIA BANK to operate as UNITED. The remaining 65 offices of FIRST WESTERN become a separate statewide bank and will keep the name of FIRST WESTERN BANK AND TRUST COMPANY.

ADDISON H. REESE, president, summarized the mergers that went into making newly-named NORTH CAROLINA NATIONAL BANK, Charlotte, at a luncheon for the bank's 3,783 stockholders in January. The new name, which came about on July 1 last when AMERICAN COMMERCIAL BANK OF CHARLOTTE and SECURITY NATIONAL BANK OF GREENSBORO merged, covers an enlarged bank now that MERCHANTS AND FARMERS BANK

OF STATESVILLE and FIRST NATIONAL BANK OF WINSTON-SALEM have all come under it.

FIRST NATIONAL BANK OF HOLBROOK, Ariz., celebrates "open house" at new main office.

GUARANTY BANK AND TRUST COMPANY, Alexandria, La., opens new Pineville office.

NEWTON (Mass.) SAVINGS BANK announces a new main office under construction.

MORGAN NEW YORK STATE CORPORATION, newly-organized, has announced plans to acquire the outstanding capital stock of MORGAN GUARANTY TRUST COMPANY OF NEW YORK; MANUFACTURERS AND TRADERS TRUST COMPANY, Buffalo; LINCOLN ROCHESTER TRUST COMPANY; NATIONAL COMMERCIAL BANK AND TRUST COMPANY OF ALBANY; FIRST TRUST & DEPOSIT SERVICE, Syracuse; ONEIDA NATIONAL BANK AND TRUST COMPANY OF CENTRAL NEW YORK, Utica; and FIRST-CITY NATIONAL BANK OF BINGHAMTON, N.Y.

As of December 31, 1960, the seven banks in the group reported aggregate capital funds of over $680,000,000, total resources of over $6,000,000,000 and total deposits of over $5,000,000,000 making it third in size among banking entities in New York State and fourth in the country.

Merger, pending approvals: CITY NATIONAL BANK AND TRUST COMPANY of Chicago into CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO. DAVID M. KENNEDY would remain chairman, ARTHUR T. LEONARD, City National president, would become executive committee chairman, DONALD M. GRAHAM, vice-chairman, and TILDEN CUMMINGS, president.

Merger, pending approvals: NATIONAL BANK OF WESTCHESTER, White Plains, N.Y., into FIRST NATIONAL CITY BANK OF NEW YORK. NATIONAL, which operates 22 branches in Westchester County, would then become the Westchester division of FIRST NATIONAL CITY.

SECURITY FIRST NATIONAL BANK, Los Angeles, Calif., announces plans to open 18 new branches in Southern California during 1961.

Secretary Dillon

(CONTINUED FROM PAGE 43)

to be increased for social reasons.

When we alluded to the creeping inflation which has prevailed here and elsewhere ever since World War II, Mr. Dillon stated that he would not view complacently a steady price rise of, say, 2% a year.

In view of demands that the depreciation allowance for corporations be lowered as a stimulus to plant modernization and cost lowering, we asked whether the resultant stimulus to automation might not add to the unemployment problem. The Treasury Secretary did not seem worried about such a result. The problem posed is one we must face. It is not new. It has been with us since the start of the industrial revolution. "We cannot afford obsolescence," he added.

The Payments Deficit

Mr. Dillon, who last fall accompanied Secretary Anderson on his disappointing mission to Bonn for balance of payments help, sees the problem as one broader than just our own payments deficit. The problem is that of Germany's persistent surplus on international account. No country can run such a surplus indefinitely without adverse repercussions on other countries. Other countries, especially the UK, realize that what we sought from Bonn is in the interest of the free world.

"If our export promotion drive succeeds, is it likely to cause balance of payments troubles for other countries and bring about restrictions on our trade?" we inquired. The Secretary certainly hoped not. In seeking to balance our payments we are doing no more than all other countries do under like circumstances. The Secretary hopes that the Administration's efforts will succeed in reversing the gold outflow, but he puts no date on such a change.

Since October, England has been replenishing in New York at $35 an ounce gold which it has been selling to hoarders in the London free market at premium prices. This is in accordance with an arrangement made with the preceding Administration. Now that U.S. citizens are forbidden to buy gold abroad, U.S. gold in effect still is being sold to foreign hoarders. Mr. Dillon sees no objection to what the Bank of England has been doing on gold. But he thinks private hoarding is not good.

The Secretary does not favor recent proposals to unlink the dollar from fixed parity with gold and allow a "floating exchange rate."

The problem posed by the steadily diminishing Treasury stock of "free silver" is "complex," Mr. Dillon confesses, and he has not yet had to face a policy decision on what to do.

Views on Tax Questions

Reverting to taxes, the Secretary is aware of the banks' problems in the event withholding on interest should be legislated. While in principle he favors such withholding, he is aware of the practical aspects. As to the 4% dividend credit in the personal income tax, he considers this a very small approach to the solution of the question of double taxation of corporation income and for this reason is not unwilling to see the credit ended.

Mr. Roosa on Debt Management

Attitudes and policies of the present Treasury chiefs on debt management are reflected in comments of Robert V. Roosa, Under Secretary for Monetary Affairs, on debt lengthening. Any financing nowadays, he points out, must take into careful account the balance of payments situation. The latter was a consideration in the February offering of $6.9-billion of notes with a maturity no longer than 18 months. The Treasury always desires "to lengthen when we can." Mr. Roosa "would not want to rule out the possibility of selling a short-term bond.

No "Pegged" Markets

"No one in the Administration has any set views on where interest rates ought to be or exactly what they ought to be. No one is going to try to peg markets now or in the future.

"We are always prepared to consider financing in any part of the market, if the combination of the current state of the market and the behavior of the financial philosophy in the intermediate and long-term areas will permit it. We will do it [lengthen the debt] when we can, and there is no absolute, no exclusion, but we will certainly be guided by the desire, which would be shared throughout the Administration . . . that long-term rates should come down.

"Government rates have come down pretty well anyway. It is the administered long-term rates which have been sticky, and they are now beginning to move a little further."

Some Congressional Democrats have been pressing the Treasury for many months to make greater use of the auction technique in offering its securities. Secretary Anderson reached the conclusion that the use of that technique for long-term issues would raise the Treasury's financing costs. Aware of all this, Mr. Roosa observes:

"The auction technique is always going to be considered. There are many difficulties with an auction technique. It probably would have to be in circumstances that involve a cash offering under most conditions but the magnitude of this offering is unduly complicated to introduce that additional factor now."

As to the Treasury's negative conclusion under Secretary Anderson, mentioned above, Mr. Roosa suggests that it was not a final and absolute view on their part and "it wouldn't be on mine." When the amounts get over $2-billion and maturities beyond a year or two, there is a problem because "the market has no experience with this kind of operation. Initially . . . it is going to be costly and there is no question that this is one side of the equation to be weighed very heavily. It may be that it weighs so heavily that we will have very few opportunities to attempt it."

New Financing

In May the Treasury will have a major financing and the Treasury may then have to raise some new cash, but the amount won't be large, Mr. Roosa says.

The new Treasury administration, no less than its predecessor, sees the value of consulting banker and other advisory groups before major financing, Mr. Roosa reveals.

The OUTLOOK and CONDITION OF BUSINESS

(CONTINUED FROM PAGE 35)

should continue. There will be enlarged interest in mortgages among savings banks, savings and loan associations, and insurance and pension funds.

Mr. Reierson also anticipates ample bank credit. Later in 1961 we may well see higher interest rates, as happened in 1958-59.

A new factor is the Administration's desire to bring down long-term interest rates without a depression of short-term rates. Presumably the Fed would buy long-term securities and sell short-terms; while on its part the Treasury would issue only short-term securities. But, Mr. Reierson notes, as bond yields decline, holders of U.S. bonds may prefer to shift into short-term issues and thereby depress short-term interest rates. To carry out the policy involves heavy new responsibilities for the authorities.

The Administration's policy is not impossible if, while the Fed is augmenting the lending power of the commercial banks, the Treasury issues securities of a maturity range suitable for commercial banks—maturities of from two to five years. This, Mr. Reierson holds, would lead to higher deposits, improved loan-deposit ratios, and increased bank lending capacity without depressing money market rates.

Ewan Clague, Commissioner of Labor Statistics, in a detailed statement on employment and unemployment prospects, pointed out that—considering labor force growth, productivity, and hours—it would be necessary for the GNP to rise to as much as an annual rate of $525-billion if unemployment in the fourth quarter of 1961 is to hold at levels prevailing in the same quarter of 1960; and this assumes no change in prices. Since few economists are willing to predict so high a GNP rate in the fourth quarter, the implication is that unemployment next fall will be heavier than in the fall of 1960.

Prices at retail in 1961 will probably continue to rise, says Mr. Clague, reflecting rising costs of medical care and home ownership and upkeep.

George G. Hagedorn, research director of the NAM, expressed the view that our economic difficulties may be more serious and more deep-seated than is generally recognized, and that "it would be a mistake to conclude that the general economic climate of recent years is one that we should strive to continue, with only minor corrections, into the future." The NAM economist recommended:

Reduction of the constant and pervasive pressure toward increasing wage and fringe benefit costs.

A systematically planned and permanent reform of income tax rates for individuals and corporations.

Dependence on local initiative for the solution of purely local problems.

Agricultural 1961 looks a good deal like agricultural 1960, barring unpredictable changes due to weather and Government programs, Prof. G. E. Brandow of Pennsylvania State University informed the JEC.

Emerson Schmidt, economist of the Chamber of Commerce, thinks the Employment Act of 1946 should be amended to include among its goals the integrity of the dollar.

Dr. George Cline Smith, chief economist of the F. W. Dodge Corporation, viewed economic conditions in February as "mushy" and predicted that the recession would get worse before it got better.

In the second week of hearings, further testimony, including that of Secretary Dillon and Federal Reserve Chairman Martin, was postponed until early March.

(CONTINUED ON PAGE 140)

BANKING's Advertisers

March 1961

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This postponement will, of course, delay the report which the Joint Economic Committee must, by law, make to the Congress.

Back of the postponement is the Administration's reluctance to take positions on certain matters without further observation of the economy.

It is noticeable, however, that various positions are taken from time to time by individual members of the Executive team—depending on their momentary purposes. Soundings on the recession's depth vary considerably, depending, for example, on whether they are taken by Secretary Goldberg visiting a distressed area, or Secretary Dillon at a press conference. And after a White House conference of legislative leaders, the impression was given that more pre-inauguration-type scare-talk had been used to get Congress out of its customary Lenten lethargy.

Programed gloom may serve political purposes but it won't help the economy.

While Candidate Kennedy's views of Federal Reserve independence have matured somewhat under President Kennedy, another possible abridgment of that independence has come into view.

Participation by the United States in the new Organization for Economic Cooperation and Development (OECD) is desired by the Administration. This is a 20-member Western economic alliance first suggested by President Eisenhower in 1959, with the purpose of solving mutual economic and monetary problems, stimulating the member-nations' economies, and sharing equitably in aid to under-developed areas.

At a mid-February Senate hearing on our adherence to OECD, Treasury Secretary Dillon pointed out what, to him, seemed the advantages in having our monetary authorities work in close concert with those of foreign central banks in such matters as discount rates.

Mr. Dillon, recalling last fall's gold outflow, went so far as to say that through memberships in OECD "we can avoid similar episodes in the future."

One individual close to the Fed points out that even "informal" liaison with foreign central banks would tend to become "formal" and thus tie up the Fed in a One-World model straitjacket.

As for hindsight on the gold outflow, it is noted both in Washington and overseas that it wouldn't have taken an OECD to halt the flow, but just the kind of words from Candidate Kennedy that are being heard now from President Kennedy.

The President's appearance in mid-February before a gathering of the National Industrial Conference Board was a constructive, doubt-allaying gesture toward the business community. It was the opposite of the pointless, spiteful business-baiting of early New Deal days.

"We know that your success and ours are intertwined," Mr. Kennedy said to the businessmen, industrialists and economists in his audience, ". . . that you have facts and know-how we need. Whatever past differences may have existed, we seek more than an attitude of truce, more than a treaty—we seek the spirit of a full-fledged alliance."

He mentioned three "areas of common concern": economic growth, plant modernization, and price stability.

This soothing friendliness of the President creates an essential element in any move toward New Frontiers —Government-business teamwork.

WILLIAM P. BOGIE

BANKING INDICATORS

MONTHLY FIGURES		Latest Month	Previous Month	Year Ago	Change in: Month	Change in: Year
All commercial banks (mil. of $— estimates as of last Wednesday of month)						
Total deposits	(Jan.)	218,510	223,380	208,650	−2.2%	+4.7%
Demand, gross		144,610	150,350	141,750	−3.8%	+2.0%
Time, gross		73,900	73,030	66,900	+1.2%	+10.5%
Total loans		114,070	118,160	109,550	−3.5%	+4.1%
Total investments	(Jan.)	83,090	82,150	78,230	+1.1%	+6.2%
Money supply (coin, currency & demand deposits in banks—seasonally adjusted—bil. of $)	(Jan.)	140.6	139.0	140.0	+1.2%	+0.4%
Turnover of demand deposits (337 reporting centers—seasonally adjusted annual rate)	(Dec.)	26.6	26.2	26.4	+1.5%	+0.8%

WEEKLY REPORTING MEMBER BANKS (mil. of $)	(Feb. 1)	Latest Week	Previous Week	Year Ago	Change in: Week	Change in: Year
Commercial and industrial loans		31,074	31,150	29,941	−0.2%	+3.8%
Agricultural loans		1,088	1,082	901	+0.6%	+20.8%
Real estate loans		12,469	12,482	12,615	−0.1%	−1.2%
Other loans (largely consumer)		16,260	15,269	14,507	+6.5%	+12.1%
U.S. Government securities held		30,712	30,631	26,444	+0.3%	+16.1%

ALL MEMBER BANKS (mil. of $)	(Feb. 8)	Latest Week	Previous Week	Year Ago	Change in: Week	Change in: Year
Excess reserves		628	545	432	+83	+196
Member bank borrowing at F.R. banks		179	66	850	+113	−671
Free (+) or net borrowed (−) reserves		+449	+479	−418	−30	+867

KEY SERIES OF THE MONTH
Bank rates on short-term business loans
(FRB survey—weighted average—percent per annum)

	1960 June	1960 Sept.	1960 Dec.
19 cities	5.35	4.97	4.99
N.Y.C.	5.19	4.74	4.77
7 northern & eastern cities	5.34	4.96	4.97
11 southern & western cities	5.58	5.32	5.33

Interest rates on short-term business loans held relatively stable during the last quarter of 1960. The rate dropped substantially in the June-September period following the August 23 reduction in the prime rate, with the greatest change occurring at New York City banks.

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